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World Business Newspaper

MONDAY JULY 22 1996

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Basque conciliation to go on despite bomb attacks

The Spanish government *said it would maintain* conciliatory moves aimed at neutralising Basque terrorism despite bomb attacks on *Saturday which* injured 35 people, most of them British tourists. Yesterday, 12 people were still in hospital with mostly light injuries. This year's costa bombings come amid a complex policy to combat terrorism by the new centre-right government. Page 2

Brussels move on Ecu market: The *European* Commission plans to meet banks and other financial institutions on Thursday to discuss ways of restoring confidence in the Ecu market, after doubts over the legal status of financial instruments denominated in Ecus. Page 18; EU and Pakistan to seek closer political ties, Page 4; Editorial Comment, Page 17

Tutsi massacre claimed: More than 300 people, mainly women, children and babies, are reported to have been massacred in a Tutsi refugee camp at Bungendana in the Gitega region of Burundi. Hutu exiles are being blamed.

Lehman keeps nerve and lifts Open title

American Tom Lehman (in white shirt next to Nick Faldo of Britain) kept his cool to win the 125th Open golf championship at Royal Lytham, in north-west England, his first major title. The 37-year-old Minnesotan, who last month lost the US Open on the final *hole, hit a* final-round 73 to finish with a 13-under-*par total of 271*, a record for an Open at the course. Lehman, *six* strokes clear after a course record 64 on Saturday, beat Ernie Els of South Africa and fellow American Mark McCumber by two strokes and Faldo by three strokes.

Fiat deal for GKN: *UK* engineering group GKN has signed an exclusive deal to supply parts for *Fiat's new Palio world car. The Palio is expected to* be built in at least six countries. Page 19

$1.2bn venture: Midor, an Egyptian-Israeli consortium which is the largest joint venture between Israel and the Arab world, is to build a $1.2bn oil refinery in Alexandria, Egypt. Page 3

Toshiba, Japan's second-largest integrated electronics company, plans to seek international alliances or closures where it cannot compete effectively alone, says its new president, Taizo Nishimuro. Page 21

Eurotunnel's fate will be in the hands of the president of the French commercial court if the Anglo-French operator of the *Channel tunnel does* not agree an outline refinancing plan with its banks this month. *Page 19*

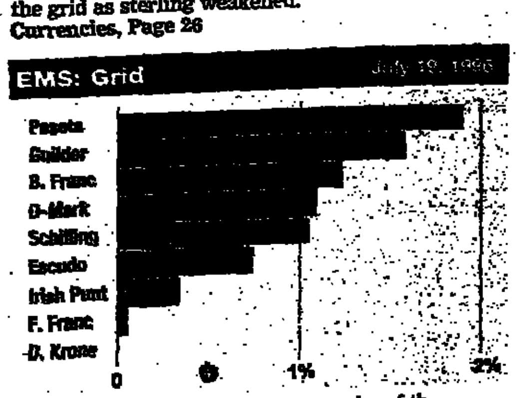
Japan's bosses aim to improve image: Top Japanese executives at an employers' meeting agreed to toughen up the Keidanren's "charter for good corporate behaviour". This follows a series of scandals in Japanese corporations. Page 4; Talk of soap and dope shakes sumo, Page 10

Metallgesellschaft, German industrial and trading company that nearly collapsed in 1994, backed off from an out-of-court settlement of bitter legal disputes with former chairman Heinz Schimmelbusch. Page 21

UK companies faulted on research: British companies *are less aware of* publicly-funded scientific research than Japanese and US competitors, *says a UK study* of the effect of scientific research on economic performance. Page 8

HK groups in China road project: *Two of* Hong Kong's largest infrastructure groups, Hopewell Holdings and *Cheung Kong Infrastructure*, are to join forces in a Yn2bn ($240m) project to build part of a ring road in the southern Chinese city of Guangzhou. Page 4

European Monetary System: *The spread* between the strongest and weakest currencies in the EMS grid was little changed *last week*. This was in spite of gyrations between the D-Mark and the dollar caused by a *fall in US share* prices over speculation about possible interest rate rises. The *D-Mark* held *firm even* though there were growing expectations that the Bundesbank might cut its *short-term* repo rate at its regular council meeting this week. The Irish punt dropped five places within the grid as sterling weakened.
Currencies, Page 26



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Smaller nations create ripples in Olympic pool

By Keith Wheatley in Atlanta

When the swimmers completed their laps in the Olympic pool yesterday, they walked into the political theatre that is *Atlanta*. An Irish woman and a Belgian man became national icons, small *nations celebrated* triumphs over the large, and then there was the issue of drugs.

Dominated in the past by the communist countries of eastern Europe and by the US, the swimming pool suddenly seems, well, a more level playing field. Belgium, the Irish Republic and New Zealand all won swimming gold medals for the first time, and the US, by its high standards, belly-flopped.

Michelle Smith, who won gold in the 400-metre individual medley, has become much more than a swimmer in Ireland. Mrs Mary Robinson, the Irish president, yesterday described her as "a superb *role model for all* young sports people, and in particular for Irish women".

The *turnaround in Smith's career has* been extraordinary by any standards, especially at an age when even the most distinguished *swimmers stop* expecting any increase in performance. In Barcelona, Smith finished 26th in the event and looked unlikely, then aged 22, to go on to glory. However, at those Olympics she met and later married Dutch shot-putting coach Erik de Bruin, who has become Smith's poolside guru. She credits his unconventional methods with her remarkable improvement over the past two years. "It isn't an explosion," Smith replied to a question about her 19-second improvement since 1992.

The problem for Olympic champions is that any remarkable improvement is accompanied by a whisper campaign about drugs – Smith has been tested several times for banned substances and found to be "clean".

However, the sudden progress of Chinese women swimmers in recent years, and a spate of positive drug tests, provided evidence for some opposing coaches that unusual training techniques were not the main reason for their success.

This time around, the Chinese women's team has struggled, and only Le Jingyi was able to take gold, in the 100m *freestyle. In the 400-metre* individual medley, the two Chinese women ranked first and second in the world swam 13 seconds slower than their best times and failed to qualify for the final.

Team officials blamed an Olympic village fire alarm that went off during the night, *forcing* athletes outside.

Then there was the brewery-to-champagne story of Belgian swimmer Fred de Burghgraeve, who broke the world 100m breaststroke record by 0.35s in the preliminaries before taking gold in the final on Saturday night. He had dropped out of competitive swimming after slipping on the start blocks in Barcelona and coming 34th.

Until recently, the shaven-headed Burghgraeve, 23, worked in a brewery and swam just an hour a day.

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Asean balks at non-trade issues in WTO talks

By James Kynge in Jakarta

The Association of South East *Asian Nations yesterday united* to condemn attempts to introduce social and labour issues into World Trade Organisation deliberations.

A joint communiqué approved after a two-day meeting of foreign ministers from the seven Asean nations said the grouping should oppose efforts to discuss issues which were not specifically related to trade – "such as corruption and social clauses" – at a WTO meeting in Singapore in December.

The determination followed criticism on Saturday from President Suharto of Indonesia of "the efforts of developed countries to *sidetrack the [WTO] deliberations* ... so that the focus will be *on matters other than trade*". Asean, as expected, also welcomed Burma as an observer to the group in spite of strong western criticism of the country's military rulers.

Asean has rejected calls for sanctions on Burma to force political change.

A senior Thai official said Asean was particularly concerned that the US and European nations might try to introduce regulations to standardise minimum wages among WTO members. *He added that attempts to* legislate against child labour were also worrying.

"We are very serious about these issues," the Thai official said, "but there has not been a common position declared by Asean until now."

Many Asean members fear that the inclusion of minimum wage laws and other social clauses in WTO deliberations could erode *their competitive edge in exports* of manufactured goods. US civil rights activist Mr Jesse Jackson drew attention to the issue by visiting a Reebok shoe factory in Jakarta where he said workers were being paid the equivalent of 30 US cents an hour.

In a joint news conference, the leader of the opposition Indonesian Democratic party, Mrs Megawati Sukarnoputri, agreed with Mr Jackson that labour conditions needed to be improved.

Asean, which groups Malaysia, Vietnam, *Indonesia*, Brunei, Thailand, Singapore and the Philippines, endorsed a plan to accelerate tariff reductions.

Under the plan, put forward by Asean leaders in December last year, 89 per cent of tariffs in the region will be reduced to below 5 per cent by the year 2000 – three years earlier than a former target date.

Intra-Asean trade was climbing as a result of the tariff initiative and the region was becoming more attractive to foreign investors as a result, officials said. Asean stopped short of criticising China for its fresh assertion in May of sovereignty over the Paracels, *a set of islands east of* Vietnam which are also claimed by *Taiwan and Vietnam. Beijing for* the first time drew cartographical "baselines" around the Paracels delineating its territorial claims.

Mr Ali Alatas, Indonesia's foreign minister, said that the issue may be raised with China during the Asean Regional Forum meetings starting on Tuesday.

Mediation by Germany leads to first exchange in five years

Israeli soldiers load a wooden casket, containing the remains of *a Hizbollah guerrilla, on to a* truck at the Israel-Lebanon border before its return to the Lebanese. The handover is part of a deal, the first exchange between the two enemies for five years, which will see a number of bodies returned to both sides along with some prisoners. Picture: Reuters

Hizbollah and Israel to swap dead prisoners

By Julian Ozanne in Jerusalem, Andrew Fisher in Frankfurt and Sean Evers in Cairo

Lebanon's pro-Iranian Hizbollah guerrilla movement yesterday handed over the bodies of two missing Israeli soldiers in a German-brokered deal to swap them *for Arab prisoners and the* remains of fighters killed by Israel.

Israel will return the bodies of up to 123 guerrillas killed in clashes on the Israel-Lebanon border and will order the South Lebanon Army – the Lebanese militia it arms and supplies – to hand over some 18 bodies and free up to 45 prisoners. Hizbollah will also hand over 17 pro-Israeli SLA fighters.

The bodies of the two soldiers were handed to delegates of the International Committee of the Red Cross yesterday at the Hiz*bollah press office in Beirut's* southern suburbs. The bodies were *flown to an Israeli airfield* at Lod and were met by an Israeli guard of honour.

The deal, the first exchange between the two enemies for five years, ended a 10-year ordeal for the families of Mr Yossi Fink and Mr Rahamin Alsheikh, the two Israeli soldiers who were 20 years old when they were captured by Hizbollah in 1986.

However, the agreement was largely negotiated before Mr Benjamin Netanyahu, the *Israeli* prime minister, took office and is not expected to have a substantial impact on the continuing conflict between Hizbollah and Israel or on the broad Middle East peace process.

For both sides, the exchange suits domestic political needs without signifying a fundamental *change in foreign policy*.

The deal appeared to be a vic*tory for the German government*, which has argued that its policy of dialogue with Iran is more successful than the US policy of isolating that country.

Mr Helmut Kohl, the German chancellor, yesterday raised the prospect of the release of other missing Israelis, saying that Bonn's efforts would "make a contribution to the peaceful development" of the Middle East.

Mr Netanyahu publicly thanked Mr Kohl for Germany's part in the return of the bodies. *Mr Netanyahu also paid tribute* to Mr Bernd Schmidbauer, who *brokered the deal, and said Israel* would continue efforts to trace other missing soldiers.

The fate of seven Israeli soldiers, including Mr Fink and Mr Alsheikh, who went who missing in Lebanon between 1982 and 1986 has been a sensitive issue in Israel. One body was returned in 1991. The subject is regularly raised in bilateral talks between Israel and its western allies. For

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Compaq cuts prices in new challenge to computer rivals

By Christopher Parkes in Los Angeles

Compaq, the world's *leading* personal computer maker, today *presents a fresh challenge to its* competitors with the world launch of a number of high-powered machines for business users at prices 10-15 per cent lower than its previous range.

It will be the latest shot in a vicious computer price war which has undermined manufacturers profits' and *knocked the* US stock market. Compaq will today also *start deliveries of the* new range outside the US. Prices will *depend on local market con*ditions but reductions are expected to be *similar* to those in North America.

"We are anticipating a reaction from competitors," said Mr Lewis Schrock, Compaq's business product manager. "But the cost *and price* savings have been designed into these machines from the ground up. It will be harder for them to come back at us this time," he claimed.

New manufacturing processes *had helped cut production costs* at Compaq's factories in Houston, *Scotland* and Singapore by 17 per cent.

Retail prices for the most basic model, which includes a Pentium 100MHz microprocessor, start at $1,100 in the US. One leading US mail order supplier was last week still offering a 75MHz Compaq Deskpro business computer for $1,499.

The top of the new range, *equipped with Intel's Pentium* Pro 200MHz chips, are expected *to sell for $4,800*.

The introduction, just before the group is expected to release flat results for the three months to the end of June, completes a revamp of Compaq's marketing and model range.

It comes a week after Dell, Compaq's closest competitor and the leading direct marketer of PCs in the US, reduced prices on its business computers for the third time this year.

Although aggressive pricing *has long been a characteristic of* the PC market, the pace and range of cuts has been stepped up by manufacturers anxious to boost slowing sales to business customers.

Compaq, which yesterday also announced reductions of up to 23 per cent on its existing business machines, rebooted *its falling* revenues in the quarter to the *end of March by slashing* 20 per cent off most prices,

However, such tactics have hit margins and earnings across the industry, and a nervous Wall Street was rattled further when Hewlett-Packard recently reported slowing sales.

In the past few weeks Compaq has introduced enhanced models for the consumer, laptop and network server markets which will be managed as distinct market segments. The new Deskpro range completes the process.

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Albania	LEK 220	Germany	DM4.00	Lithuania	Lts 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.85	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk65
Cyprus	C£1.20	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kč60	India	Rs75	Nigeria	Naira90	Spain	Pta250
Denmark	DKr18	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Estonia	EKr 22	Japan	Y300	Pakistan	Rs40	Syria	S£95.00
Finland	FM15.50	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
France	FFr12.00	Kuwait	Fils.650	Portugal (m'land)	Esc240	Turkey	L50,000
		Lebanon	LL3,000			UAE	Dh12.00

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German railways plan $20bn city centre redevelopments

Putting trains underground in 25 cities will make services faster and free land for homes, shops and offices, writes Charles Batchelor

Railway lines and stations in at least 25 German towns and cities could be placed underground, freeing large areas for redevelopment as housing, office space and parks, as part of a DM30bn ($19.7bn) refurbishment plan drawn up by Deutsche Bahn railway group.

Many of the terminus stations built around the turn of the century would be converted into through stations by building extra underground tracks below city centres, making timetabling simpler and journey times shorter.

This initiative forms part of Deutsche Bahn's Project 21 to modernise its rail network and make its stations more attractive. DB was established as a private company in 1994 – with the government still as sole shareholder – but it is preparing to list its operating divisions on the stock market over the next few years.

These ideas could be applied to the stations in many large European cities where there are large areas of unused track. Most 19th century railway companies built lines into large termini on the edges of the city centre. Since the companies were competing for passengers and tunnelling was expensive, there was no incentive to build direct links between them.

In London, proposals for an underground east-west main line rail link known as CrossRail which would take travellers direct from Heathrow to the City and beyond have been drawn up but shelved because of the cost. Paris has constructed underground suburban links but long-distance trains still run overground into the main termini.

Selling off large areas of inner-city land to developers will help cover the estimated DM30bn cost of refurbishing Deutsche Bahn's 6,400 stations while giving new life to run-down city centres, said Mr Heinz Dürr, DB chairman.

The main station buildings, many of which are protected monuments, would be retained but platforms would be placed underground to minimise the use of space. But unlike city metros the platforms will remain open to natural light coming in through the original glass station roofs.

Mr Dürr estimates that at least 1,600 hectares (3,950 acres) of surplus land could be sold off in 25 cities. New technology and changes in the way freight and passenger locomotives are operated have meant that large areas of marshalling yards and depots have become surplus or could be moved to the edge of town. In Neu-Ulm the 16 existing tracks could be reduced to just four.

In Stuttgart, where plans are furthest advanced, more than 100 hectares of land in the city centre could be freed by placing railway tracks in tunnels. DB estimates that it could earn DM2.2bn from the sale of the land to the local authority and meet a large part of the DM4.9bn investment costs. The remaining costs would be met by federal and state government subsidy. If the proposed timetable is met the new station and tracks could be in operation in 2008.

In Frankfurt-am-Main 138 hectares of land would be freed by putting freight and passenger tracks underground while the main terminus would be linked under the city centre with a smaller station on the east side of the city.

Through running would cut out delays caused by the large loops the trains now make around the city to reach the main terminus.

Other city centre stations suitable for the Project 21 plan include Munich and Saarbrücken.

DB has already taken steps to develop the commercial potential of its stations jointly with private developers. At Hamburg-Altona, the station was rebuilt to incorporate a large Kaufhof store with finance from the company.

Leipzig station is currently undergoing a DM600m reconstruction to increase retailing space. This is being financed jointly by shopping centre developer, Einkaufs-Center-Entwicklungsgesellschaft, which is providing two thirds of the funding.

Small investors can buy bonds in a rail property fund set to help finance the work at Leipzig.

Right: an artist's impression of the new Frankfurt station

Erbakan pledge to Turkish Cypriots

By John Barham in Ankara

Mr Necmettin Erbakan, Turkey's Islamist prime minister, reaffirmed Ankara's commitment to northern Cyprus during a weekend trip to mark the anniversary of the Turkish invasion which led to partitioning of the island in 1974. His visit coincides with renewed international efforts to end the division of Cyprus.

Mr Erbakan told a cheering crowd: "We are determined now as we were in 1974 to support the rights and freedoms of our brethren in Cyprus. I am here to show you that we stand with you."

Last week Ms Madeleine Albright, Washington's UN ambassador, said during a visit to Cyprus that commanders from both sides would soon discuss measures to reduce tension on the island, one of the world's most heavily militarised places.

The US, which declared 1996 to be "the year of the big push on Cyprus", is investing considerable time and effort to find a settlement, hoping this would ease enmity between Turkey and Greece and forge regional stability.

While Turkish northern Cyprus held military parades, in the southern half church bells tolled and flags flew at half mast. Mr Glafcos Clerides, the Greek Cypriot prime minister, called on Turkish Cypriots and Turkey to begin talks. He said: "[We] are ready to negotiate with courage, if the Turkish side is ready for a logical and viable compromise."

Mr Rauf Denktash, the Turkish community's veteran leader, said: "I say to the Greeks once more. Come, let us make Cyprus a bridge of peace between Turkey and Greece."

Although both communities agree to a UN plan for a federation with a weak central government in which both groups would retain considerable autonomy, negotiators have not overcome deep distrust between the two sides.

Mr Erbakan, who was deputy prime minister during the 1974 invasion, scarcely mentioned reconciliation. He said: "All we want in Cyprus is the recognition of the fact that there are two different communities, two different democratic entities, two states. We want them to live together in peace."

Northern Cyprus declared itself a separate republic in 1983, but is recognised only by Ankara, which provides 30,000 troops and economic aid to overcome an international trade embargo. The European Union is hoping the prospect of EU membership will help achieve a settlement.

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Jordi Pujol, left, Catalan leader, looks at a pool of blood in Barcelona airport AP

Basque conciliation to go on despite costa bombings

By Tom Burns in Madrid and agencies

The Spanish government said yesterday it would maintain its current policy aimed at defusing Basque terrorism – including conciliatory gestures towards prisoners – despite a series of bomb attacks which left 35 people injured, most of them British tourists.

In the most serious incident a bomb, left in a rubbish bin, exploded on Saturday in a packed departure lounge of Reus airport, south of Barcelona, as the area was being cleared minutes after a bomb warning by Eta, the Basque terrorist organisation. Yesterday, 12 people were still in hospital with mostly light injuries.

Shortly afterwards there were two similar blasts in the resort towns of Salou and Cambrils, which are served by Reus airport, but no one was hurt.

In separate incidents yesterday, police defused another bomb at a Salou hotel, from which Dutch tourists were evacuated, and eight grenades exploded near a barracks of the paramilitary Civil Guard in the Basque town of Ordizia.

The bombings are similar to Eta campaigns in recent years along the Spanish coasts at the height of the holiday season. This month six small blasts have caused damage but no deaths in resorts further south on the Costa del Sol.

This year's costa bombings come amid a complex policy to combat terrorism by the new centre-right Popular party government. The policy involves rejecting all contacts with Eta but making conciliatory moves towards convicted Eta members and working closely with the moderate Basque Nationalist party, which runs the autonomous Basque government and backs the Popular party in the Madrid parliament.

One of the Madrid government's key initiatives has been to move, on the advice of the Basque Nationalist party, some of the 500-odd jailed Eta members to prisons closer to the Basque Country. This reverses the dispersal policy of the previous Socialist government.

It is believed that the new interior minister, Mr Jaime Mayor Oreja, who is a Basque and a senior figure in the Popular party, has a secret agenda of further initiatives agreed with the Basque Nationalist party. Yesterday, after visiting the injured in the Reus airport blast, Mr Mayor Oreja said Eta violence would not change his anti-terrorism timetable, including the prisons policy.

He said there could be no miracle breakthroughs to end Eta terrorism. In a reference to his talks with the Basque Nationalists, Mr Mayor Oreja said the government would maintain a firm policy that was "understood and agreed by all".

Nato and its one-time foes play peace games in the sun

By Kester Eddy in Szolnok, Hungary and Bruce Clark

The brass band played, the top brass spoke, the (Soviet-designed) top-guns flew past, and 1,000 air crew from 17 participating nations shimmered in the sun at Hungary's Szolnok airbase.

Co-operative Chance – the latest in Nato's joint exercises in its Partnership for Peace (PFP) programme with former Warsaw Pact adversaries and the first joint air exercise hosted by a PFP nation – began on Saturday with good weather and seeming goodwill all round.

After the speeches came the real work. In the full air crew briefing, Czechs, Poles and others strained to concentrate on British, American and Dutch versions of the command language, English. The US commander admits Nato doesn't know it all. "We will make mistakes. It's your job to tell us when we do. We need your help," he asked of his comrades in arms.

In its scale and its strong emphasis on air power, the exercise is a landmark in the two-year history of the partnership programme, intended to groom some countries for full Nato membership and to maintain cordial military relations with such countries as Russia and Ukraine which are not expected to join Nato in the near future.

For a week flyers and their commanders, along with Red Cross and civil defence groups, will combine to carry out a co-ordinated humanitarian aid exercise and train staff within a multi-national air command HQ. An earthquake has struck

> The exercise is a landmark in the history of the partnership programme

a fictitious state located near Hungary's Lake Balaton. The devastation calls for air support, but neighbouring (also fictitious) states and resentful ethnic minorities may exploit the chaos. Intruders must be repelled from no-fly zones.

The exercise comes at a time when western governments are engaged in intensive but very private deliberations over what role, if any, their forces should play in Bosnia next year.

By hosting the exercise, Hungary is underlining the crucial role it has already played, and may again play in 1997, as a stepping stone for Nato troops moving in and out of Bosnia.

"We've been waiting for years to do precisely these humanitarian missions multinationally," said General Dieter Stöckman, commander of Allied Air Forces Central Europe.

PFP was set up to concentrate on boosting the capacity of ex-communist countries to take part in peacekeeping operations. But this mandate has been steadily broadened to include western military assistance for the ugrading of a range of military installations and communication systems, as well as defence planning and budgeting.

US military planners face a dilemma in Bosnia because of the widespread consensus that some military presence will be required in 1997, despite President Bill Clinton's promise that the US mission will be terminated in December.

One theory among military experts holds that some US troops will be withdrawn only as far as the temporary base they have established in Hungary, signalling that they could be sent back to Bosnia if necessary. Hungarian officials are counting on the fact that western gratitude for the use of its territory will make it virtually impossible for Nato to step back from its plans to enlarge.

If Hungarian, Polish and Czech officials get their way, Nato will not later than spring 1997 announce a firm timetable for their countries to join the alliance.

However, the basic problem of European security planners – how to enlarge Nato without irreversibly alienating Russia – looks far from resolution.

Mr Evgeni Primakov, the Russian foreign minister, has hinted that Nato enlargement could be acceptable – or at least, less unacceptable – if the alliance refrains from extending its military structure to the soil of new members.

Nato officials say privately that while there is no question of formal guarantees to Russia, the concerns of Mr Primakov should be relatively easy to address.

Czech kingmaker must decide whether to crown old rival

By Vincent Boland in Prague

Mr Miloš Zeman, head of the opposition Czech Social Democrats (CSSD) and newly installed chairman of parliament, this week faces his biggest test since coming within a hair's breadth of pulling off an upset in last month's general election.

He must decide whether the CSSD will support the new minority government of Prime Minister Václav Klaus in a confidence vote tomorrow. To do so would upset those supporters who gave him their protest votes. But to oppose the government would damage his image as a credible parliamentarian, on which he has been working overtime since the election. To abstain would simply be a cop-out.

Nobody has enjoyed the little bout of instability the country has endured since the election as much as Mr Zeman. It has given him the key political role he craved. While Mr Klaus, his old enemy, floundered in the immediate aftermath of the loss of his coalition's governing majority, the CSSD leader became the kingmaker, in that the government needs his party's support to survive.

A tall, ponderous 51-year-old, Mr Zeman led the 103-year-old CSSD, which he has headed since February 1993, back to the centre of Czech politics in the election. Its vote soared to 26.4 per cent from 6.5 per cent in 1992, while support for the Civic Democratic party (ODS) led by Mr Klaus was 29.6 per cent, almost unchanged from four years ago.

He was also elected to the Czech parliament for the first time, having been a federal MP until the demise of Czechoslovakia in 1992. In northern Moravia, where both he and Mr Klaus stood for parliament, he led the CSSD to become the largest party in the region.

Though a parliamentary novice, Mr Zeman is a political veteran. Born in 1944, he joined Dubček's Communist party at the height of the Prague Spring in 1968 and was expelled with other reformers after the Soviet-led invasion. He languished in odd jobs for nearly two decades, cementing his anti-communist credentials.

Mr Zeman and Mr Klaus have never made any secret of

Zeman: enormous ego

their mutual dislike, which dates from their days at the Forecasting Institute. The two men have enormous egos, and both vied for intellectual supremacy at this officially tolerated think-tank in the late 1980s, planning scenarios for a post-communist world.

Since electoral deadlock emerged both men have indulged in ever greater measures of brinkmanship as each tested the respective powers of his opponent. The result so far has been a draw. Tomorrow's parliamentary debate on the government's policy programme, to be followed by the confidence vote, is meant to get a definitive result, but a last-minute deal will have to be cooked up for that to happen.

In theory this could not be too difficult. The ideological divide between the coalition and the CSSD is not especially wide. On two key issues – university tuition fees and health service reforms – a compromise is possible. A third – the return of confiscated property to the Roman Catholic Church – may be more divisive. The Christian Democrats, a coalition ally of the ODS, are unlikely to back down on their insistence that this measure be pushed through, though many anti-clerical Czechs oppose it.

President Václav Havel asked the politicians on Friday to rally around for the good of the country. Mr Zeman says it would "not be a tragedy" if the government failed to win the confidence of parliament, suggesting he wants Mr Klaus to cook up the fudge that will be necessary to prevent a showdown on tomorrow.

Berlusconi stitch-up smooths constitutional deal

The former Italian premier has been forced to make political concessions to protect his threatened TV empire

The setting up of a special parliamentary commission to overhaul Italy's 1948 constitution – the first major deal struck between government and opposition in the new legislature – offers a foretaste of how relations are likely to develop between the ruling centre-left Olive Tree coalition and the right-wing alliance headed by former premier Silvio Berlusconi.

Initial analysis of the agreement, hammered out last week, suggests Mr Berlusconi has been obliged to co-operate with the government on constitutional reform in order to protect his own media interests.

The deal coincided with the cabinet's approval of the establishment of a new regulatory authority to cover telecoms and the media alongside new anti-trust rules on the share of the television market. These directly affect Mr Berlusconi's recently floated Mediaset group, of which he now controls 51.5 per cent.

In return for being obliged to reduce Mediaset's share of the terrestrial audience and advertising market, he has been able to keep three channels in a liberal interpretation of a constituional court decision and will be allowed to enter the telephones business. Originally it was thought that he would have to divest one channel. The proposed law allows one channel to be converted into either a cable or satellite one.

The link between co-operation over constitutional reform and the new arrangements on television/telecoms has produced unease both within government ranks and among Mr Berlusconi's allies. Inside the government coalition, there has been concern that too much had been settled in private negotiations between Mr Berlusconi and Mr Massimo D'Alema, leader of the Party of the Democratic Left (PDS), the dominant partner in the Olive Tree. Even during the election campaign Mr D'Alema made it clear Mr Berlusconi's TV interests should not be victimised.

Mr D'Alema's stance has irritated several former Christian Democrats in the alliance as well as Mr Romano Prodi, the prime minister. They felt too many concessions had been made to Mr Berlusconi to resolve his self-created problem of conflict of interest. As a result, at the last minute the television/telecoms legislation endorsed by the cabinet

> The media magnate is now screaming foul and claiming Mediaset risks losing L1,200bn a year in advertising

last Wednesday was stiffened by Mr Prodi – much to Mr Berlusconi's surprise and chagrin. The media magnate turned politician is now screaming foul and claiming Mediaset risks losing L1,200bn ($780m) a year in advertising revenue.

But Mr Berlusconi himself has been criticised by those in his alliance who believe their role as opposition in the new parliament has been compromised. In his desire to sort out the problems of his TV empire, they say he was forced into the embrace of Mr D'Alema. This led him to drop the right's constitutional reform platform of introducing a presidential system like that of France and of having a complete first-past-the-post electoral system like the UK.

Beyond this, Mr Berlusconi's critics fear that, during the next year when the constitutional reform commission carries out its review, it will be hard for the opposition not to be locked into co-operating with the government on a broader set of issues. They say it seems nonsensical to voters to be seen co-operating with the government on the constitution but then being obstructive on other key issues such as economic policy.

Such tensions, even before the bi-cameral commission has been formed, suggest the path towards a successful shake-up of the constitution – no matter that every party admits the need for change – will be strewn with minefields. To overcome such obstacles, some politicians in both government and opposition are talking of having a broader based administration. This would include elements of the current opposition, and thus ensure the constitutional commission produces consensus proposals to modernise the Italian state and introduce a more federal system of government.

The chief loser in such a scenario would be Mr Prodi, the Bologna economics professor and former head of Iri, the state holding company, who was recruited last year to lead the Olive Tree alliance. He would almost certainly be pushed aside. Mr Antonio Maccanico, his posts minister, who unsuccessfully tried to form such a broad-based government to carry out constitutional reform in February, said as much in a brutally frank interview last week.

For the moment Mr Prodi is still likely to be given the benefit of the doubt by his coalition partners and in particular by Mr D'Alema, who is the effective back-seat driver of the government.

Ousting the premier so soon after the April elections would be difficult to sell to the public. But Mr Prodi has not helped himself by a lacklustre performance as leader during his first two months in office; while his authority continues to be undermined by Mr D'Alema's overt mistrust of him.

Robert Graham

Egypt-Israel group in refinery deal

By Sean Evers in Cairo

An Egyptian-Israeli consortium, Midor, yesterday signed contracts for a $1.2bn oil refinery in Alexandria, Egypt. Midor, which groups Israel's Merhav Group, the Hussein K. Salem Group of Egypt and the Egyptian General Petroleum Corp (EGPC), is the largest joint venture between Israel and the Arab world.

The engineering procurement and construction contract worth $1bn was awarded to a European consortium led by *Technipetrol of Italy and* Technip of France.

A ground-breaking ceremony is expected in October. The final steps in project development, including financing as well as selection of other construction groups, are expected to be concluded shortly, with the project fully operational by late 1999. The main licensor for the refinery, which will include a hydrocracker, is the US company UOP, supplemented by Conoco-Bechtel.

*Senior officials from Techni*petrol said the refinery would be one of the first in the region to meet European environmental standards in both process and products.

The project is Egypt's largest private venture and the first private sector refinery. The equity capital represents only 20 per cent of the total cost of the project.

National Westminster Bank of the UK and Bank Nationale de Paris are working as the co-lead managers for the estimated $600m export credit *component of the financing.* The export credit cover has been pledged by several European agencies, including Spain's CESCE, France's Coface, the UK's Export Credit Guarantee Department, Germany's Hermes and Italy's SACE.

The European Investment Bank has approved an Ecu220m ($277m) loan for the construction of the export-oriented oil refinery in the free zone area near the port of Alexandria.

The scheme, the largest to be financed by the EIB in the Middle East, will draw on Egyptian oil resources to supply 5m tons per annum of advanced refined products including lead-free petrol and low-sulphur gas. *Israel and Egypt will each get* a third of production while the rest will be sold to adjacent markets, such as Turkey, southern Italy, Greece, Cyprus *and the Palestinians.*

■ Saudi Arabia has awarded the building of a SR4.155bn ($1.108bn) power plant to Japan's Mitsubishi Heavy *Industries following months of* talks with international companies, Reuter reports from Manama.

The Saudi Consolidated Elec*tric Company-East (Sceco-East)* awarded the bidding to Mitsubishi Heavy Industries Consortium to build and instal the 2,400MW Ghazlan power plant. *In March Saudi Arabia said the* Sceco-East project was part of a master plan to raise power generation in the oil-rich kingdom to 60,000MW over 25 years from a current 17,700MW capacity.

Saudi Arabia is hungry for added electricity capacity and needs new plants.

The Sceco-East project was revived last year when Riyadh's financial standing improved with rising oil prices and higher revenue due to a rise in domestic electricity rates.

Cairo SE sees jump in foreign investments

By Sean Evers in Cairo

Foreign investors have more than tripled their share on the Egyptian stock exchange in the first half of 1996 as international interest in the market has risen.

International investors accounted for 20 per cent of the *E£3.3bn ($970m) of stock traded* on the Cairo Bourse in the first six months of the year, compared with just 6 per cent of the E£3.8bn traded in the whole of last year. The majority of the foreign investors have come from the US, Britain, Singapore and the Gulf Arab states.

Mr Ashraf Shams el-Din, deputy chairman of Egypt's capi*tal markets* authority (CMA), explained: "The flurry of sales of state companies and the Egyptian government's renewed commitment to eco*nomic reforms* was drawing the international investors."

Since Mr Kamal Ganzouri, prime minister, and his more reform minded cabinet were appointed in January, the pace and profile of the privatisation programme has been stepped up.

But the Egyptian business association continue to criticise the mainly partial selloff, claiming "privatisation is not selling 10 or 20 per cent it is a change in management".

However, the Egyptian state is moving up another gear, following the ground-breaking offerings of majority stakes in less well known companies including *Medinet Nasr Hous*ing and Construction, and a fertiliser company, Egyptian Financial and Industrial.

The state sold off 65 per cent *of EFI to private investors in* May. The company is one of the most active on the Cairo bourse and it announced a 29 per cent increase in sales last week.

A recent international economic study by Baring East management reveals that the Egyptian stock market is the most attractive Arab market for investors.

Zeroual: rejected participation by Islamic Salvation Front

Algeria to hold new round of talks

By Roula Khalaf

Algerian President Liamine *Zeroual* and political parties will hold a further round of talks on Thursday after failing to reach agreement on a common strategy towards ending *four years of bloody struggle* and to prepare for new legislative elections.

In talks which ended at the weekend, Mr Zeroual rejected *a suggestion by two opposition* parties to include leaders of the Islamic Salvation Front (FIS) in the dialogue. FIS militants have been battling the *government since 1992, when* their party was stripped of an electoral victory.

Mr Sliman Chenine, a spokesman for the Hamas *Islamist* party, said *yesterday* that Mr Zeroual told Hamas representatives the question of the FIS was no longer open for discussion.

The most difficult point in the talks was Mr Zeroual's proposals to amend the Algerian constitution before legislative elections due in the first half of 1997. The president is seeking revisions to bolster the *presidency's powers,* create a second chamber of parliament which includes non-elected officials, and prevent parties from using Islam to further their *political ends.*

Main opposition parties, who suspect the president of seeking to monopolise the political field, believe a new constitution should be drafted by the elected assembly after the poll. Mr Chenine said Hamas proposed that instead of amending the constitution this year, parties fielding candidates in legislative elections be asked to *adhere to a set of* principles such as promising not to exploit religion in campaigning.

Because views diverge on the constitutional amendments, Mr Zeroual invited the parties for bilateral talks on the constitution to start later this month. A spokesman for the Berber-based Socialist Forces Front, a strong critic of Mr Zeroual's approach, said yesterday that although Mr Zeroual showed little willingness to compromise on this point, the FFS would take part *in the bilateral talks.*

Some progress was made on other revisions sought by Mr Zeroual. Three commissions are to be set up including rep*resentatives from various par*ties to discuss Mr Zeroual's proposed changes to the electoral law to introduce proportional rule, to the law govern*ing parties, and to prepare for* a national conference later this year.

The talks ended amid reports of a resurgence in violence. *Several bombs exploded* around Algeria last week.

Corn group may face more claims

By Laurie Morse in Chicago

Rain drenched the fields of Illinois last week, putting an end to fears of drought and ruined corn crops, but doing little to ease the troubles of one of the state's most famous corporate sons, Archer-Daniels-Midland, the country's biggest corn processor.

On Friday, a federal judge in Chicago approved a civil antitrust settlement in which ADM *and two of* its Japanese rivals, Ajinomoto and Kyowa Hakko Kogyo, agreed to pay $45m to customers of their animal feed ingredient businesses.

The civil suits were brought after the US government conducted a two-year undercover investigation into ADM's role in international feed ingredient markets and in particular, the market for lysine, an amino acid widely used as a livestock feed supplement by poultry and pork producers.

The government has *not* yet brought criminal charges against any of the companies, but the civil settlement is evidence the price-fixing probe is having a profound effect on the small group of global companies producing lysine.

Heartland Lysine, a US division of Ajinomoto, and the US subsidiary of Kyowa Hakko have each agreed to pay $10m of the *settlement*, and *ADM* will contribute $25m. While agreeing to the payments, none of the companies admitted to any wrongdoing.

The civil settlement is *only* the first case of, perhaps, many facing ADM. More than a dozen of ADM's customers participated in the class action, but several other big clients opted out of the deal, leaving open the possibility of further suits and settlements.

ADM officials fear that crimi*nal actions will be brought* against two prominent executives in coming weeks, though the company, its attorneys and federal prosecutors are not commenting on what has been a colourful investigation.

The investigation has shaken ADM, known for its political influence and connections in Washington

With a large stock of video tapes recorded by an ADM executive who turned FBI mole and whistleblower, Mr Mark Whitacre, the government been sifting through evidence. The *tapes are believed to show* executives of ADM and rival companies discussing the global market for lysine – the question is whether investigators have enough evidence to take a case of alleged market *manipulation to court.*

For more than a year, prosecutors have been distracted by the accusations and counter-accusations involving Mr Whitacre, who has separately been investigated by the FBI for alleged fraud. He denies the allegations.

Another difficulty for US investigators is that the case stretches far beyond the boundaries of the US. To prove collusion, the police have to gather evidence that, among others, South Korean and Japanese competitors were parties to an international agreement.

The investigation has shaken ADM, well known in the US for *its political influence* and its connections in Washington. Allegations have focused on the roles of two executives: Mr Michael Andreas, the executive vice president and the son of company chairman, Mr *Dwayne Andreas; and Mr Terr*ance Wilson, head of ADM's corn processing unit.

The unresolved investigation has cast a shadow over the future of Michael Andreas, presumed to be the natural successor as chief executive to his 78-year-old father.

Public debate about the case has already forced extensive reforms of ADM's board, which had been dominated by Dwayne Andreas for 30 years. In the past year, the company has promised to expand the board and limit participation by company employees.

Paris Club restructures Peru's debt

By Sally Bowen in Lima

After three days of tough bargaining in Paris, Peru has succeeded in restructuring *most of the $9.25bn owing to* its official creditors. Paris Club debt represents some 28 per cent of Peru's total foreign debt.

Speaking in a Lima at the weekend, President Alberto Fujimori described Peru's treatment "exceptional", noting that it was the only country *apart from Russia to have* reached such a favourable restructuring arrangement with the Paris Club.

Rescheduling will be over 20 years with substantial relief for the next three, Mr Fujimori said. Payments this year will total around $450m, rising to *$600m in 1998. Without relief,* Paris Club servicing would have been double this.

Of Peru's total debt with its bilateral creditors almost $7bn *was contracted before 1983, the* year in which Peru ceased servicing most of its external debt.

Pre-cut-off debt is the only *part of the total susceptible to* restructuring.

Payments to the Paris Club are expected to rise to $1bn-plus by the end of the decade. *Despite the relief obtained, this* – added to payments under the soon-to-be-closed Brady deal – will still impose a heavy burden on Peru. Last year's export earnings, even with exceptionally buoyant minerals and commodities prices, were only $5.5bn.

*Peru will now seek to negoti*ate separately, and as soon as possible, with each of the Paris Club members, President Fujimori said. In addition to bilat*eral forgiveness,* Peru will press to swap some debt for nature or social programmes.

The agreement came after three days of talks in Paris *between Peru's negotiating* team and officials from Austria, Belgium, Canada, Finland, France, Germany, Italy, Japan, the Netherlands, Norway, *Spain, Sweden, Britain and the* US.

The Paris Club issued a statement outlining its decision "to grant Peru an ambitious treatment of its external official debt tailored to the prospects of its economic growth".

President Fujimori: called Peru's treatment 'exceptional'

The statement, which did not give financial details, said the agreement was "a very significant contribution to Peru's present and future external financial situation".

Economists and political analysts in Peru hailed the accord as another feather in *Mr Fujimori's cap and a major* step towards the nation's reintegration into world financial circles. Lima was considered a pariah by lending institutions *when former President Alan* Garcia effectively suspended all debt payments in the mid-1980s.

The Paris Club deal should *also permit the de-blocking of* some $500m in credits already granted by Japan. These could not be released until agreement was reached in Paris. *Still pending on Peru's foreign* debt agenda is renegotiation with creditor countries of the former Soviet Union.

HK groups join in China road project

By John Ridding in Hong Kong

Two of Hong Kong's largest infrastructure groups, Hopewell Holdings and the newly listed Cheung Kong Infrastructure, are to join forces in a Yn2bn ($240m) project to build part of a ring road in the southern Chinese city of Guangzhou.

The agreement clears the way for work to restart on the project, which was stalled last year because of a disagreement between Hopewell and Guangzhou authorities over the cost of the project and the construction of commercial sites along the road.

Under the terms of the accord, Cheung Kong Infrastructure, which is part of Mr Li Ka-shing's business empire, will jointly invest Yn1.9bn with Hopewell to build the east-south section of the city ring road.

This section is due for completion in 1998.

Guangzhou Freeway, the city roads company, is to contribute the remaining Yn100m of the cost of the project.

It will also guarantee Cheung Kong Infrastructure and Hopewell a minimum return of 20 per cent and take responsibility for cost overruns.

The accord brightens the prospect for the completion of the Guangzhou southern ring-road, which was agreed in 1992 between the city authorities and Hopewell Holdings and which involves a total cost of almost Yn10bn.

The latest deal is expected to be followed by an agreement on terms for Hopewell and Cheung Kong Infrastructure to build the south-west section of the road.

Industry analysts in Hong Kong said the agreement was positive for Hopewell, since it would reduce the financing costs and provide an influential partner.

The agreement is the second time that Mr Gordon Wu, Hopewell's chairman, has secured a significant outside investor for one of the group's mainland road projects.

Last year he sold a 2.5 per cent stake in the Guangzhou-Shenzhen superhighway to Kanematsu of Japan.

The 123km Shenzhen-Guangzhou expressway linking Hong Kong to the capital of Guangdong province has proved a disappointment both to China and to Hopewell Holdings. Among the problems were cost-overruns, delays in construction, difficulty in securing local construction permits, and a shortfall of toll revenues after the road opened.

One of the problems was that the project was negotiated at local level and the project assumed that Hopewell would be able to develop property along the route, which added to its costs.

Japan's executives seek to improve image

By William Dawkins in Tokyo

Corporate Japan's top executives yesterday decided it was time to extend the technique of continuous self-improvement from the factory floor to the morals of management.

The annual seminar of the powerful Keidanren economics federation in Oyama, a resort at the foot of Mount Fuji, ended two days of soul-searching with an agreement to toughen up its "charter for good corporate behaviour".

It was the first official Keidanren recognition that the recent series of mishaps at Japanese companies had created an image problem.

It was also Japan's first collective attempt to show contrition for a year in which some of its most prestigious corporate names have been mired in impropriety.

Mr Shoh Nasu, chairman of Tokyo Electric Power, the world's largest electricity generator, said the review of the code must be carried out "as soon as possible." Mr Yoshio Okawara, a senior Keidanren adviser, admitted: "There is a need for action to cope with the sense of mistrust."

Blows to Japan's corporate image over the past year include the $1.8bn loss on unauthorised copper dealing at Sumitomo Corporation, formerly seen as the most conservatively managed general trading company; *the revelation* that managers of Takashimaya, a prestigious department store, had been paying hush-money to gangsters; a US sex discrimination and harassment case against Mitsubishi Motors, the largest such case in legal history; and an unauthorised $1.1bn bond dealing loss at Daiwa Bank's New York office.

Two days' soul-searching ended with an accord to toughen the Keidanren's 'charter for good corporate behaviour'

In many cases, argued Mr Jiro Kawake, adviser to New Oji Paper, Japan's largest *paper company, top management* did not know what was going on and internal communications were "lacking".

However, as so often in Japanese corporate life, there was more ritual than real reform to the Keidanren's gesture.

The federation's five-year-old ethics code, little talked about and never applied, has no real teeth. It was drafted just after a series of financial improprieties, in which Japan's largest stockbroker, Nomura Securities, was found to have compensated favoured clients for share-trading losses. The two executives who took the blame for that scandal are now back at Nomura.

And the past year's events suggest the mood of atonement at other Japanese companies was perhaps less than sincere.

Some of the participants at the seminar felt the same *déjà vu*. Mr Yutaka Kume, adviser and former chairman of Nissan, Japan's second largest car producer, pointed out: "We've been discussing the corporate ethics issue for the past 20 years... We don't need to change the contents of the corporate ethics charter. What is needed is a change in attitude and in implementation."

There was even an attempt at the Mount Fuji seminar to make the new code easier to implement, when one participant suggested that wrongdoers should actually be penalised by the Keidanren. But the idea was quickly flattened by the mighty NEC, the leading semiconductor and computer producer.

"What would be the standard for deciding on such a punishment? That would be very difficult as a practical matter," said Mr Tadahiro Sekimoto, NEC's chairman.

Still, every little helps. After all, self-improvement on the Japanese shop floor has always taken place in a series of small incremental steps.

Talk of soap and dope shakes sumo, Page 10

Vietnam diaspora ponders links with home

Jeremy Grant on the problems of returnees being used by foreign investors as a bridge between western and Vietnamese culture

In Vietnam, eight is supposed to be a lucky number. But Hong Kong-listed Peregrine Investment Holdings may be starting to wonder about the luck of choosing a colonial villa at 8 Alexandre de Rhodes street in Ho Chi Minh City as the headquarters of its Vietnamese arm.

Having grown accustomed to a reputation as one of the best connected foreign players in Vietnam, Peregrine Capital Vietnam played host to city officials in May searching for documents in an investigation into allegations of tax evasion and abuse of its representative office licence.

On Saturday, prosecutors *announced that they would* press charges against the PCV's managing director, Mr Nguyen Trung Truc, one of the country's most prominent foreign businessmen. The charge relates to the importation of about 80 cars, though prosecutors indicated that they were also investigating other operations at Peregrine.

Officials alleged that the company had abused its representative office licence, which forbids foreign companies from booking business in Vietnam. Prosecutors said they were investigating PCV and its links with 13 local trading companies allegedly set up by Mr Truc.

Mr Truc declined to comment when contacted yesterday, but Peregrine has denied that the company has broken any law in Vietnam. The company says its activities are legal under an "investment advisory licence", granted in April 1995, which enables it to engage in a broader range of businesses than other representative offices.

Earlier this month, Euromoney magazine chose PCV as the "best foreign securities firm" in Vietnam. "Peregrine's opportunist approach has earned it many fans in Vietnam," it said, adding that Mr Truc's "extensive web of local contacts" had enabled him to "avoid government interference".

For Mr Truc, an émigré Vietnamese businessman with a degree from an Australian university and a collection of 15 vintage cars, the investigation follows a colourful career in Vietnam that started with his return in 1989 as head of PCV. That company is 60 per cent owned by Peregrine Investment Holdings, with the rest held by him, his Malaysian-Chinese wife and a Singaporean businessman.

The case raises questions about the role of overseas Vietnamese in the country's economic reforms. Thousands of overseas Vietnamese, known locally as Viet Kieu, have returned to Communist-ruled Vietnam since it started *encouraging foreign investment* about five years ago.

Most of them run small, service-related businesses, often using family members who stayed behind after the end of the Vietnam war, which ended in 1975. Under Vietnamese law, Viet Kieu are supposed to get more liberal treatment than foreign investors.

The overseas Vietnamese have been natural target for foreign companies wanting to establish offices in the country, as they speak the language and are seen as a bridge between western and Vietnamese business culture.

However, some business people complain that the welcoming rhetoric from Hanoi can *evaporate when overseas* Vietnamese try to start doing business in the country many of them fled for political reasons 20 years ago.

"It's true that there are certain difficulties for them. It's not because of policy. It's because of bureaucracy," said Mr Nguyen Ngoc Ha, president of the Ho Chi Minh City committee for overseas Vietnamese, which handles émigré affairs.

Nor has the local press helped. Mr Truc and PCV have been the butt of a vigorous campaign *in local newspapers*, which have sometimes chronicled alleged wrongdoings in microscopic detail. None had contacted Mr Truc or Peregrine for comment, a Peregrine official said.

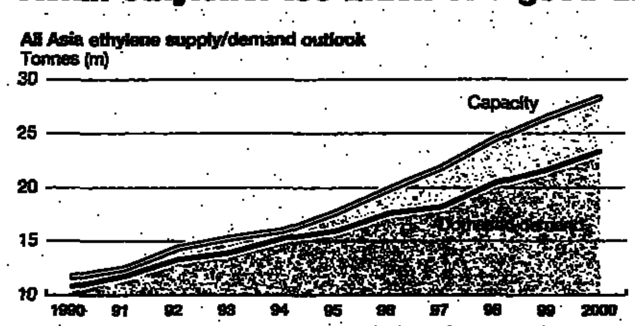
The investigation into Mr Truc and his wife would take up to four months, the prosecutor's office said, and they would not be allowed to leave Ho Chi Minh City without permission.

South-east Asia takes stock of oversupply

Rising petrochemicals capacity could lead to battle for markets which could test free trade commitment

Asian ethylene: too much of a good thing?

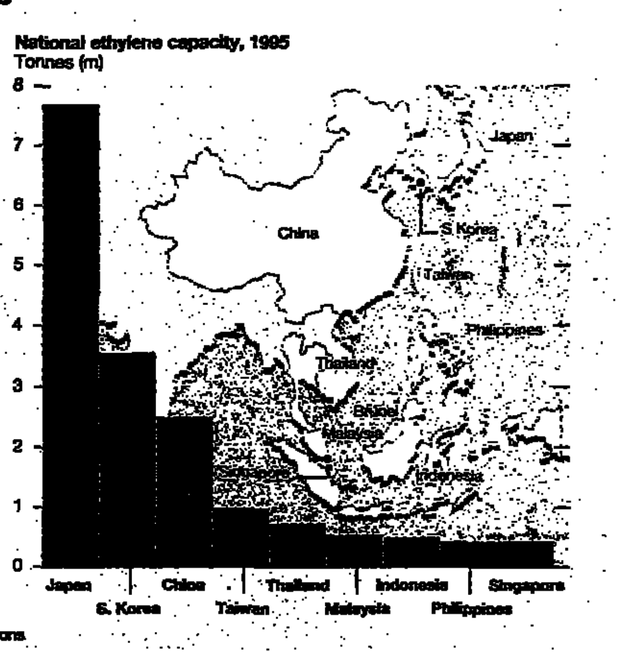
All Asia ethylene supply/demand outlook
Tonnes (m)



Asean tariff reduction plans (%)

	1995	1996	1997	1998	1999	2000	2001	2002	2003
Thailand	12.20	11.39	9.02	7.14	6.66	5.75	2.16	1.76	1.41
Philippines	8.53	5.30	5.14	4.64	4.50	3.62	3.49	3.49	3.36
Indonesia	7.86	6.52	6.37	5.61	5.30	4.59	4.59	3.97	3.36
Malaysia	1.31	1.22	1.12	1.00	0.91	0.82	0.80	0.78	0.76
Brunei	0.70	0.68	0.57	0.52	0.48	0.35	0.31	0.31	0.26
Singapore	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

National ethylene capacity, 1995
Tonnes (m)



Sources: Jardine Fleming, Asian Bureau of Economic Co-operation; national industry associations

Asia's booming economies have been a haven for petrochemical companies seeking growth away from their subdued traditional markets. But a recent surge in investment heralds an era of significant overcapacity and fierce price competition.

Nowhere are the symptoms more pronounced than in south-east Asia, where rapid economic growth and low rates of plastic consumption per capita have proven an irresistible lure for investors. But observers are now warning that unless several planned projects are scrapped, there may be a battle for market share which could severely test the commitment of south-east Asian nations to free trade.

"*I am afraid competition will* be so fierce that countries will say: to hell with free trade agreements," said a senior executive in a petrochemicals company, itself planning a big capacity expansion.

"Even if the countries can manage to lower tariffs, I am sure there will be more subtle non-tariff barriers," he added.

If all the firm investment plans for the production of ethylene – the industry benchmark – are carried to fruition, south-east Asian nations could witness a capacity rise by 2003 of around 4m tonnes per annum (tpa), adding to a current capacity of around 2.2m tpa. If projects described as likely but still under study are embarked upon, a further 1.35m tpa capacity could be built by 2003.

Demand, meanwhile, is expected to grow by around 8 per cent annually in the south-east Asian region, assuming *that current rates of economic* growth rates are maintained. On this basis, it is clear that demand will lag supply.

Producers aim to resolve this by displacing imports from their domestic markets, but this will be no easy task.

South Korea is an aggressive exporter of petrochemicals into the region, with considerable domestic overcapacity of its own.

Similarly, the petrochemical industries in Japan and Taiwan depend on sales into south-east Asia.

Some observers suggest exports to China will provide a safety valve. But expansion plans for all of Asia point to oversupply even where Chinese demand is taken into account.

Such a prospect might be merely uncomfortable for some industries, but in the capital-intensive petrochemical business, where plants often have to run at over 90 per cent capacity to be profitable, it could be acutely painful.

"Even if you say that Asian capacity will grow at a compound 9.9 per cent annually between 1995 and 2000, which is very conservative, supply is still set to outstrip demand," *said Mr Nicholas Smith, Asia* regional chemicals analyst with Jardine Fleming in Tokyo.

In a recent report, Jardine Fleming predicted that a sustained phase of oversupply for basic chemicals (ethylene and its derivatives) could start as early as the end of 1997.

Some, however, are hopeful that the crunch can still be averted. "There may be a situation where supply far exceeds demand but so long as countries develop projects prudently, then this could be avoided," said Mr Gong Wee Lik, assistant managing director of the Singapore government's Economic Development Board.

Observers say that it will eventually become clear which parts of south-east Asia can provide an optimum location for the petrochemical industry.

But, for now, many nations belonging to the Association of South East Asian Nations (Asean) appear determined to nurture the sector they regard as an essential industry. Petrochemicals provide the raw materials for everything from synthetic fabrics and cosmetics to industrial piping and computer accessories. In addition, considerations of national prestige – not to mention state funds – are inextricably involved.

'Competition will become so fierce that countries will say: to hell with agreements on free trade'

"There are many issues involved. There are nationalistic issues, trade balance issues and many of the major investors in these projects are the state oil companies," said Mr Roelf Venhuizen, director of Shell Chemicals in Singapore.

Malaysia is a telling case study of the forces which make it unlikely that petrochemical projects will be abandoned. The country imports about 60 per cent of its plastics feedstocks but it is keen to reduce this reliance, partly to whittle down a worrying current account deficit.

Leading the move into petrochemicals is Petronas, a highly profitable state oil company which is wealthy enough to withstand years of possible losses. Petronas is also an upstream oil and gas producer, meaning that it is well placed to reap the benefits of downstream integration. Finally, Malaysia can look to a promising domestic market where the per capita plastic consumption is about one third of the 70-80 kg typical in developed nations.

To varying degrees, the industries in Thailand, Indonesia and the Philippines mirror the dynamics of Malaysia's market.

For Singapore, a net exporter, the petrochemicals industry has attracted more foreign investment than any other sector and it churns out a large proportion of the city state's manufacturing exports.

With so much *at stake, it is* natural that some Asean countries want to protect their fledgling local industries.

But such protective urges contradict the Asean Free Trade Area initiative, which calls for a gradual reduction in tariffs to below 5 per cent by 2003 for the region encompassing *Thailand, Malaysia, Indonesia*, Singapore, Vietnam, Brunei and the Philippines.

Indonesia's Chandra Asri Petrochemical Complex, controlled partly by President Suharto's second son, Mr Bambang Trihatmodjo, has been one source of controversy.

It has received an effective tariff protection of 25 per cent for its two main products, ethylene and propylene, since February this year.

The government has also imposed an effective 40 per cent import tariff on polyethylene and polypropylene.

Some industry executives outside Indonesia said that in addition to tariff barriers, customs officials often delay their petrochemical cargoes for up to two weeks, making it more difficult to compete with local producers, which do not have to traverse customs.

The pressure on governments to provide protection is sometimes intense. Potential investors, including Mitsui of Japan, pulled out of a $130m polypropylene project in the Philippines earlier this year, complaining that tariff protection was not strong enough.

Thailand, which levies a 12 per cent petrochemical import tariff, has the most aggressive expansion plans in the Asean region, reinforced by a strong state involvement in its planned ethylene cracking plants.

Officials, however, stress that the country is commited to reducing tariffs.

"We think our industry can survive the declining tariffs *because the domestic market is* growing so fast. The more companies can sell in Thailand, the less they need to be protected," said Mr Pongsak Angsupun, deputy secretary general of the Board of Investment.

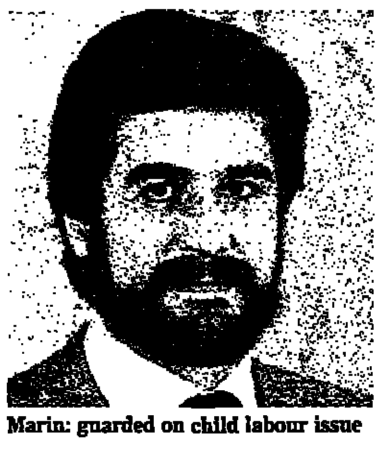
In one recent episode, Singapore complained to the World Trade Organisation over what it claimed were unfair restrictions on its exports of plastics to Malaysia. Kuala Lumpur denied that a system of import licences for some categories of petrochemicals from Singapore were acting as a non-tariff barrier. The issue was later resolved through bilateral discussions.

One response to the looming overcapacity has been to try to beat the rush.

Some company executives said plans to build had been brought forward and officials in Singapore said that the speed of land reclamation for the huge Jurong island complex had been accelerated.

Manuela Saragosa, Ted Bardacke, Edward Luce and James Kynge

EU and Pakistan to seek closer political ties



Marin: guarded on child labour issue

By Farhan Bokhari in Islamabad

The European Commission and *Pakistan yesterday announced that* they would seek closer political and economic ties, in spite of the recent concerns over the use of child and bonded labour.

Mr Manuel Marin, the Commission's vice president, said at the end of a three-day visit to Pakistan: "We want to develop a a specific framework and a specific programme with Pakistan in order to fight and control this issue [of bonded and child labour]".

However, Mr Marin gave a guarded response when asked to comment on criticism that despite new laws introduced recently, there has been little progress on prosecuting powerful *individuals involved in the use of* bonded labour.

He said: "I am not here to examine Pakistan... I am here to propose a modus operandi in order to establish political conditions... to fight this issue."

He also said the issue was of great concern to the European Union but advised *against* singling out Pakistan.

Pakistan outlawed the use of bonded labour in 1991, though many critics charge that the practice still continues, especially in the rural areas of the southern province of Sindh and the south of the province of Punjab.

Concerns have grown in recent months that western importers may restrict Pakistani exports, on the grounds that they were produced with the use of child or bonded labour.

Mr Marin said that his talks – with President Farooq Leghari, Ms Benazir Bhutto, the prime *minister, Mr Assef Ahmad Ali*, the foreign minister and Mr Ahmed Mukhtar, the commerce minister – had centred on greater co-operation between the European Union and Pakistan.

He said the EU, Pakistan's largest trading partner, had decided to open talks for a new treaty of economic co-operation between the two sides.

Mr Assef, who was present at the news conference, said his talks with Mr Marin also covered India-Pakistan relations and their dispute over the Himalayan region of Kashmir.

Mr Marin reiterated that *the position* of the EU on the issue of Kashmir was that the question must be solved peacefully through negotiations between India and Pakistan.

ASIA-PACIFIC NEWS DIGEST

Taiwan party transfers cash

Taiwan's ruling Nationalist party has transferred control of more than $100m in party-owned assets in Hong Kong to a Singapore subsidiary as a precautionary step before the British colony's reversion to Chinese sovereignty next year. The Nationalist party, also known as the Kuomintang, is reticent about its business activities and officials were unavailable to comment on a report in the leading United Daily News. The assets, including property and trading companies, were transferred to Asia Pacific Holdings Syndicate, a Singapore-registered subsidiary of party-owned Asia Pacific Holdings, *the report said.*

Mr Liu Tai-ying, chairman of the party's business management committee, was quoted as saying: "In the event that our party assets encounter problems in Hong Kong, the Singapore government will come to our aid." Singaporean assets are safeguarded in China under a bilateral investment protection agreement. Nationalist party officials hope the transfer will prevent any moves by China to confiscate or intervene in the management of the assets after 1997.

Beijing regards Taiwan as a renegade Chinese province and the Nationalists as an illegitimate rebel government. China has indicated that Taiwan's substantial private business interests in Hong Kong will be unaffected by the colony's takeover, but has also hinted that Taiwan's existing quasi-official representative offices will not be welcome. Until the 1990s the assets of party and state were nearly indistinguishable, but the Nationalists have made strenuous efforts to separate party business operations from those of the Taiwan government.

Laura Tyson, Taipei

US-Japan electronics talks end

The electronic industries of Japan and the US have failed to reach a comprehensive agreement on a new framework for bilateral co-operation, an industry association said yesterday.

The Electronic Industries Association of Japan (EIAJ) said the two sides remained apart on three of four key outstanding issues discussed in a fourth round of negotiations held over the weekend in Vancouver, Canada. The negotiations were aimed at working out a framework for industry-to-industry co-operation after the existing governmental semiconductor trade accord expires at the end of this month.

Both sides, however, agreed to promote bilateral co-operation in such fields as the standardisation of technologies for equipment to produce next-generation 300 mm wafers, energy savings and the protection of intellectual property. They agreed to continue negotiations in parallel *with governmental talks on semiconductor* trade between the two countries, the officials said.

Kyodo, Tokyo

Vietnam life insurance scheme

A state run Vietnamese insurance company, Bao Viet, plans to launch the country's first life insurance scheme and hopes to sign up its first customers by next month, the semi-official weekly Vietnam Investment Review said yesterday.

The move follows Bao Viet's announcement *earlier this* month that it had set up a subsidiary called Life Insurance Company (LIC), capitalised at $1.8m. Locals would be able to take out insurance of up to $4,500. The company would also offer a special policy for children under 18. Annual per capita income is $500 in Hanoi and $900 in Ho Chi Minh City.

Vietnam's fledgling insurance industry was for years dominated by Bao Viet until its monopoly was broken last year with the establishment of Bao Minh, Nha Long Co, Pjico – a unit of the ministry of trade-controlled petroleum distributor – PetroVietnam Insurance Co and Vinare, a reinsurance company under the finance ministry.

No foreign company has been allowed to sell insurance products in Vietnam but Tokyo Marine & Fire Insurance of Japan and Commercial Union of the UK have signed a joint venture contract with Bao Viet which has yet to be licensed. Yasuda Fire & Marine Insurance and the Mitsui group are in talks with Ho Chi Minh City-based Bao Minh, for another joint venture.

Jeremy Grant, Hanoi

Pakistan transport strike

A strike by commercial transport owners disrupted Pakistan's southern province of Sindh yesterday. The strike was held to protest against new taxes announced in last month's annual budget and affected Karachi, the southern port city and capital of Sindh, where traffic was thin and office attendance low.

The strike raised further concerns over the ability of the government to stay on course with last month's tax measures that have been opposed by a number of businesses and industries.

Farhan Bokhari, Islamabad

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Japan electronics talks

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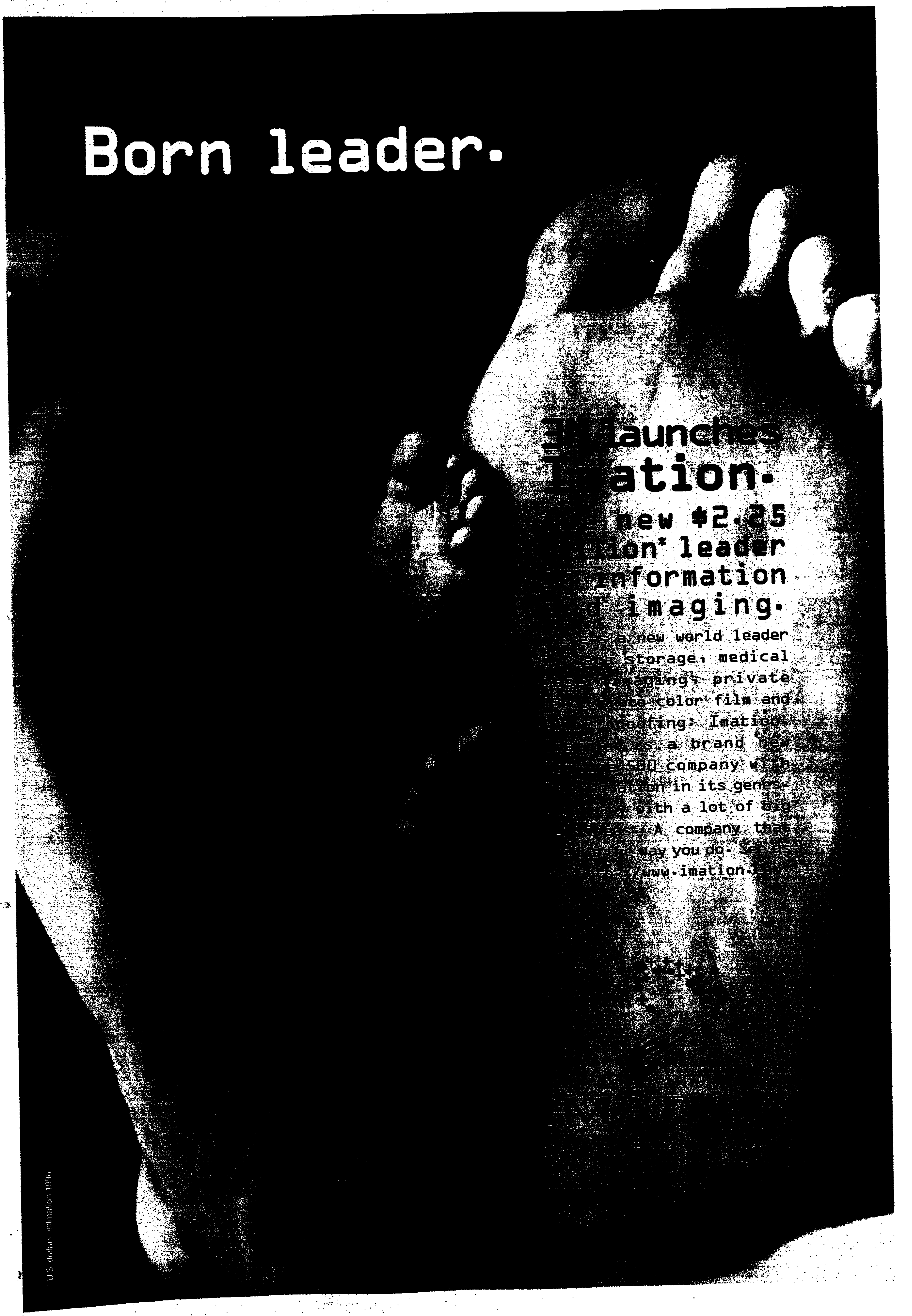
transport strike



First and last Games for St Kitts-Nevis

Caryl Phillips sees a small nation prepare: first the T-shirt, then the team

St Kitts and Nevis, the tiny island federation in the eastern *Caribbean, is one of 28* countries taking part in the Olympics for the first time. Unlike the other 27, this is likely to be St Kitts-Nevis' last Olympics as well.

But Atlanta is not St Kitts' first share of the games' spotlight. Eight years ago, in the wake of the Seoul Olympics, the twin island state *attracted the attention* of the world's sporting press as the home of the doctor and adviser to Ben Johnson, the sprinter stripped of his Olympic title for using drugs.

Then last Friday, as viewers throughout the Caribbean watched the coverage of the parade of nations at the opening ceremony carried by US network NBC, the realities of the Olympic games struck home again. Just as St Kitts-Nevis were about to enter the stadium, before an estimated 3.5bn world television audience, NBC cut to a commercial break. The people of St Kitts-Nevis were outraged.

But four weeks ago, the truth was most people in St-Kitts-Nevis seemed unaware their country was about to participate in its first games. Alphonso Bridgewater, or Bridges, as the president of the local Olympic association is known to locals, tossed me a St Kitts Olympic T-shirt, and explained: "It's only when the team get to Atlanta that people will realise the importance of this venture."

The island federation in the Leeward Islands chain of the Caribbean, with a population of 44,000, gained independence from Britain in 1983, and since then has steadily developed a tourist industry to outstrip the traditional sugar crop as its chief money-spinner. Now, Bridges hoped entering the Olympics would put St Kitts-Nevis on the map, and boost awareness of the islands as a holiday destination and investment opportunity.

I asked Bridges how a nation goes about sending a team to Atlanta when it has so little in the way of a sporting infrastructure. Was it true there were no athletic facilities on the islands? No viable equipment, no resident coaches, in fact no running track. (There is a cricket ground, used for St Kitts' and the rest of the West Indies' most popular sport.)

Bridges conceded there were problems. In fact, more problems than I realised. I had forgotten that entry to most Olympic events *means beating minimum qualifying* standards. Four weeks before the games, only one athlete had qualified, Diana Dunrod-Francis, a 400m runner based in Alabama, who was expected back "home" any day.

Greeting the world – but only during the commercial break: the St Kitts-Nevis team at the opening ceremony in Atlanta AP

However, there would soon be national trials, in the hope that locally based athletes might achieve the qualifying times in track distances between 100 and 800 metres. People were training hard – running on the beach and around the cricket field – and Bridges and others had tried to implement a "nourishment programme" and some weight training. There was still time. The final trials were not until the next weekend.

The islands had come a long way since being accepted into the Olympic movement by the International Olympic Committee in 1993. This was not their first attempt to join but obstacles, in the form of administrative inertia, had been placed in their way. I suggested there was some fear in IOC circles that admitting too many small nations, each with its own vote, might dilute the power of the larger nations. Inevitably the balance of power would begin to swing toward the "Third World". Bridges smiled. Ever the diplomat, he simply said that once such nations as Palestine and the newly-independent states of the former Soviet Union had been accepted, there was an outcry to join from small nations like St Kitts-Nevis.

Once the nation was accepted by the IOC, the next step was to sort out the cranks. Suddenly, all sorts *of "amateur sportsmen" discovered* a bona fide affiliation to St Kitts-Nevis, which they believed gave them the right to compete under its flag. Few managed to survive close governmental scrutiny, but a resigned Bridges admitted there was a "Kittitian" somewhere on the European snowboarding circuit and reluctantly arranged for him to be sent a flag.

Two years ago all the nations competing in the 1996 Olympic Games sent delegates to Atlanta for a pre-games IOC meeting. This was St Kitts-Nevis's first opportunity to taste life in the Olympic fast lane. Bridges' main tasks were to verify its flag and see that IOC officials held it the right way up, and to make sure the correct national anthem was played.

The nation comes of age even as it prepares to split in two

At the rented office space of the St Kitts-Nevis Olympic association in the centre of Basseterre, capital of St Kitts, a cluster of men were sitting on and behind desks. Resources were clearly limited, but enthusiasm seemed high. There was a goal in sight. Money-raising had started, and an Olympic torch had already circled the island of St Kitts. T-shirts were on sale.

In Atlanta, the IOC would provide a chauffeured car and luxury hotel for Bridges, and the same facilities would be offered to the secretary-general *of the St Kitts-Nevis Olym*pic committee. The St Kitts-Nevis party would also include a chef de mission, a team manager, a national coach, and a physiotherapist. Denzil Douglas, the prime minister, and his deputy would put in an appearance for three or four days.

Bridges thought St Kitts-Nevis might send up to eight athletes. The IOC would cover the airfare and accommodation for all participating athletes. Bridges suddenly looked more optimistic. In fact, there might be quite a contingent from St Kitts-Nevis.

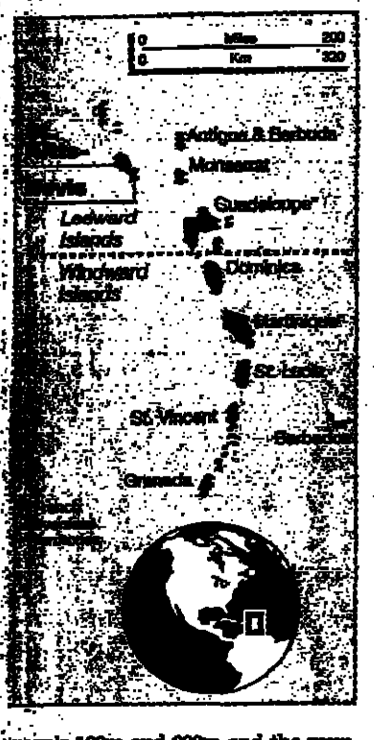
What, I wondered, would Bridges consider to be success? First, he answered confidently, for the nation to be noticed. Second, an athlete recording a personal best performance. Third, anybody getting beyond the first round. Finally, that this energy be translated into facilities back home, beginning with a synthetic athletics track.

It was hard to argue with him, particularly on his final point. If somebody in government or business was inspired to sponsor some kind of facilities for young athletes by witnessing the efforts of the St Kitts-Nevis team, then everything would be worthwhile. Unfortunately, the Caribbean, with the possible exception of Jamaica, has a way of neglecting its own athletic talent. Many Caribbean-born athletes proudly adopt the colours of Britain, Holland or Canada. The men's sprint finals are traditionally full of such athletes.

But St Kitts can claim to have helped produce an Olympic champion of sorts. Ben Johnson trained in St Kitts before the 1988 Olympics, blasting his way around the cricket field. Running for Canada, he won a gold medal in the 100m final before being stripped of it when his drug test was found to contain steroids. Johnson's doctor at the time, Jamie Astaphan, is a Kittitian who still practises medicine there; he is a pleasant and mild-mannered man, and I've known him for many years.

In Atlanta last Friday morning I checked the Olympic Infotel computer system in the main press centre. Facts and figures on St Kitts-Nevis flashed up on the screen: "There is periodic unemployment and inadequate housing. High infant mortality and emigration rates mean population growth is slow. Ninety per cent of the population is literate." But the computer could only tell me there was "no information available at this time" on the 1996 team. A few hours later this mystery would be solved.

On Friday evening, 10 athletes *from St Kitts-Nevis paraded around* the Olympic stadium during the opening ceremony. Individual places had been confirmed in the men's 100m and 200m and the women's 400m athletics races, but the bulk of the team would be taking part in relays. Bridges had agreed to the team being decked out in eye-catching batik cotton and blazers in the hope that they might attract the attention of the television cameras. They didn't.



After the ceremony I asked a seemingly happy Bridges how he felt as the team entered the stadium. *"It was akin to the lowering* of the Union Jack during the independence ceremonies in 1983. We came of age," he said. "Sport can achieve more unity than politics or economics, and in many ways being a member of the IOC is as important as being a member of the United Nations."

Sadly, after these games, the process of application to join the IOC may have to begin anew. Nevis, with a total population of just over 9,000, has in the past month begun legal action to secede from St Kitts. These games may be witnessing the first and last St Kitts-Nevis Olympic team. The nation "comes of age" even as it prepares to rend itself into two pieces. But relaxed and happy in humid Atlanta, Bridges has completed his goal. St Kitts-Nevis are at the games, and Bridges remains unconcerned that soon after he returns home he will be losing his other job, as head of the local Peace Corps, the US government-sponsored aid agency, which *is pulling out of St Kitts at the end* of the year. "I'll worry about that when I get home. Right now, we've got work to do."

ATLANTA DIGEST

First US medal given away

The first US medal of the Games was given away within minutes of its receipt on Saturday. The US women's swimming captain, Angel Martino, gave her bronze medal from the 100m freestyle to her friend, 20-year-old Trisha Henry, undergoing chemotherapy for cancer of the ureter.

Martino's swimming career has been clouded by controversy. Testing positive for anabolic steroids after setting *two national* records in the 1988 US Olympic trials, she was suspended for 13 months and had her records wiped out. *Peter Aspden*

Longo – at long last

The grand dame of cycling, Jeannie Longo of France, finally broke her Olympic jinx yesterday to win gold in the women's road race. Longo, 10 times world champion but denied an Olympic title by fate at three previous Games, dug deep to break clear of her two challengers – Imelda Chiappa of Italy and Canadian Clara Hughes – on the last of eight laps of the 13km circuit and finish the 104km course in 2:36.13. **AP**

. . . and pass the ammunition

Russian soldier Olga Klochneva called on divine inspiration to depose compatriot Marina Logvinenko and win the women's 10-metre air pistol gold with an Olympic record score of 490.1 points yesterday. Asked how she managed to keep her nerve, Klochneva said: "I am a Christian. I believe in God. I think he helped me to win." *Reuter*

Women's 100m breaststroke qualifiers: 1 Penelope Heyns (South Africa) 1:07.02 *(world record)*, 2 Amanda Beard (USA) 1:08.04, 3 Agnes Kovacs (Hungary) 1:09.05, 4 Samantha Riley (Australia) 1:09.37, 5 Vera Lischka (Austria) 1:09.68, 6 Guylaine Cloutier (Canada) 1:09.72, 7 Svitlana Bondarenko (Ukraine) 1:09.79, 8 Brigitte Becue (Belgium) 1:09.83

Water-polo: Hungary 9, Germany 8;Yugoslavia 9, Russia 9.

Judo half-heavyweight: Second round: M. Fernandes (Brazil) beat Alejandro Bender (Argentina); S. Chakimov (Kazakhstan) beat N. Ocerewaqa (Fiji); A. Felicite (Mauritius) beat Willan Bouza (Uruguay); Keith Morgan (Canada) beat Arturo Gutierrez (Mexico); Pawel Nastula (Poland) beat Antal Kovacs (Hungary); Gigi Guido (Italy) beat Khairoullo; Angel Sanchez Armentero (Cuba) beat Yvan Radu (Romania); Pedro Soares (Portugal) beat Detlef Knorrek (Germany).

Third round: Fernandes beat Chakimov; Felicite beat Morgan; Nastula beat Guido; Soares beat Sanchez Armentero.

Women's 10-metre air pistol final: 1 Olga Klochneva (Russia) 490.1; 2 Marina Logvinenko (Russia) 488.5; 3. Mariya Grozdeva (Bulgaria) 488.5

Women's cycling road race: 1 Jeannie Longo (France) 2:36:13; 2 Imelda Chiappa (Italy) 2:36:38; Clara Hughes (Canada) 2:36:44.

Men's 4x200m freestyle relay Heat 1: 1 Great Britain 7:21.92, 2 Germany 7:22.17, 3 Brazil 7:28.82, 4 Venezuela 7:32.63, 5 Croatia 7:43.69
Heat 2: 1 Italy 7:22.69, 2 Australia 7:23.24, 3 New Zealand 7:24.35, 4 Uzbekistan 7:40.60, 5 Ecuador 7:54.37, 6 Kyrgyzstan 8:00.00
Heat 3: 1 US 7:18.28, 2 Sweden 7:20.61, 3 France 7:22.98, 4 Netherlands 7:23.39, 5 South Korea 7:45.98, 6 Singapore 7:54.19.

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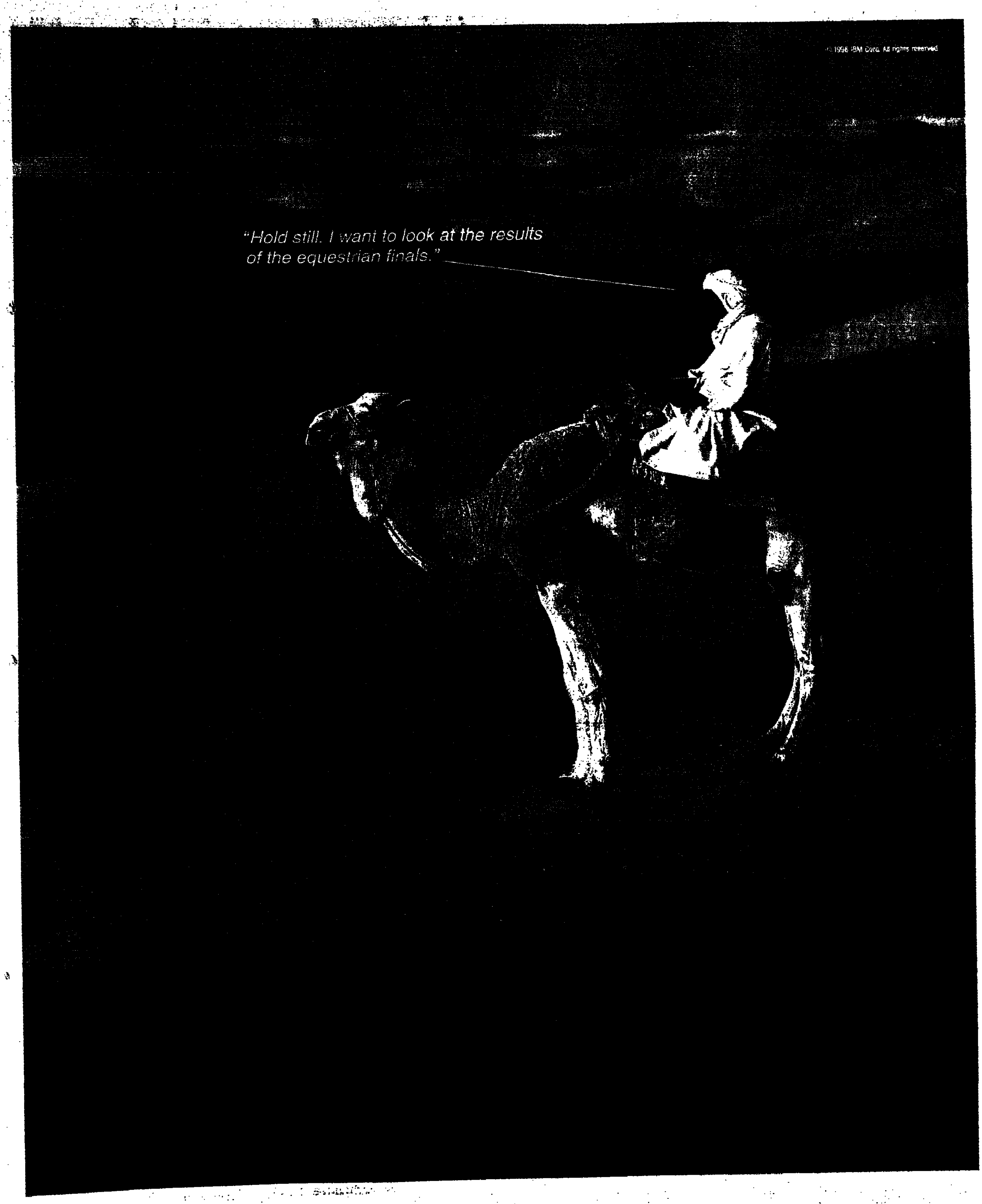

Solutions for a small planet

This summer, IBM will help people miles from Atlanta follow the excitement of the Olympic Games. With a powerful, high-speed network created specifically for the Games, IBM will provide final results in a fraction of a second and distribute them to the anxiously waiting world. Reaching the people who need them, when they need them. From journalists in Paris to fans on the Olympic home page in Cairo. It's proof IBM can help you get results. Literally. To find out what's happening in Atlanta, drop by www.atlanta.olympic.org.

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BSkyB may avoid monopoly test

By Raymond Snoddy

The Office of Fair Trading is expected to announce this week that it has decided not to refer British Sky Broadcasting, the satellite television venture, to the Monopolies and Mergers Commission over its relationship with the cable communications industry.

The decision will be a considerable boost to BSkyB, which has been under some form of investigation by the OFT for the past 18 months.

A reference would have raised considerable uncertainty for the next year or so – at a time when BSkyB is preparing to invest several hundred million dollars to launch more than 200 channels of digital satellite television in the UK.

The OFT's decision will be a blow to some sections of the cable industry, which have complained that BSkyB has been using its near-monopoly powers to their disadvantage. The industry has been split.

The OFT has spent the past few weeks negotiating undertakings that BSkyB will accept.

The most contentious issues have been that the cable operators have been forced to accept programme packages from BSkyB, and the financial terms on which the channel supply is based.

In particular, the cable industry has been furious that it gets TV channels at 60 per cent of the cost that individual consumers with satellite dishes have to pay.

Cable operators complain that by the time they add their profit margin to try to recover billions of pounds being spent on building cable networks, cable TV appears poor value compared with satellite.

The fact that the OFT is planning to announce its decision this week suggests agreement has been reached with BSkyB on the undertakings sought.

"Sky executives have been running around with wide grins on their faces," a cable executive said yesterday.

Meanwhile, the OFT is still planning to refer BSkyB's contract with the English Premier League to the Restrictive Practices Court. The Mirror Group is among those pressing for an early examination of the terms of the agreement by which the Premier League soccer clubs collectively sell their TV rights in the UK to BSkyB. The Mirror is asking to see the text of the £670m ($1,045.2m) four-year agreement between the League and BSkyB.

US and Japan 'utilise science research best'

By Graham Bowley

British companies are less aware of publicly funded scientific research than their competitors in Japan and the US, a study for the Treasury has found.

The study into the effect of scientific research on economic performance by academics at Britain's Sussex University found that publicly funded research has had a substantial positive impact on productivity and growth.

But it found that the companies' use of research varied widely, and UK companies were generally less aware of research than competitors in other countries.

"Although many are aware of government-funded collaborative research programmes, with a few prominent exceptions they do not appear to adopt as systematic an approach to gathering intelligence about scientific research from around the world as some of their competitors in Japan and the US," the study said.

Companies involved in the chemicals and pharmaceutical industries have been much better at drawing on scientific research than companies involved in physics and engineering.

The UK science base in the chemicals and pharmaceutical sectors is strong internationally, the study found. By contrast, industries such as electronics have performed less well in the international market place.

But the study suggests that a more important issue is that scientific discoveries in this area take a longer time reaching the market place.

Companies which place an excessive emphasis on short-term profits may, therefore, lack the patience or the long-term investment funds needed to implement the research.

The report concludes there is a growing social trend towards a demand for greater value for money in scientific research.

"We are witnessing the emergence of a new 'social contract' for basic research under which the public and government expect more direct and specific benefits from their investments in research," the report said.

It found multinational companies were switching research to areas rich in scientific skills.

The report concludes that companies need strong research capabilities to exploit external research and "advanced industrial countries need their own well-developed basic research capabilities to sustain technological development".

Speaking out: among business leaders unhappy with the Emu timetable, left to right: Allen Yurko, chief executive of Siebe; Sir Colin Hope, T&N chairman; and Sir David Lees, chairman of GKN

Industry chiefs criticise single currency timeframe

By Peter Marsh

Senior executives from some of Britain's leading engineering companies have spoken out against the timescale for a European single currency and Maastricht treaty conditions.

Most of the executives support the principle of economic and monetary union, but say introduction from 1999 is unrealistic.

The Confederation of British Industry, the largest employers' lobby group, said the views reflected some weakening in support for Emu. The CBI's current stance is "to keep the issue open".

In interviews with the Financial Times, many engineering executives said Britain would be better off not joining a single currency in the short term and France and Germany should also think again.

Mr Allen Yurko, the chief executive of Siebe, one of Britain's biggest engineering groups, is in favour of a single currency, but advocates a relaxation in the convergence criteria of the Maastricht treaty.

"The criteria are likely to cause a lot of [economic] malaise."

Sir Colin Hope, the chairman of T&N, worried that the pressures on individual economies would lead to possibly damaging "stresses and strains" with high unemployment and a slowing down in growth.

Sir David Lees, the chairman of GKN, said he was in favour of a single currency and the tough convergence criteria were necessary but it would be "more sensible" to delay the start for perhaps three years.

Sir Christopher Lewinton, the chairman of TI, said the proposed central bank setting borrowing rates would inevitably impact areas of fiscal and social policy which were more properly the affair of individual countries.

Mr Bruce Farmer, the managing director of Morgan Crucible said a union would make doing business "less complex" but would mean prolonged low economic activity.

Sir Anthony Bamford, the chairman of J. C. Bamford Excavators said he was "not in favour" of a single currency because of the "political ramifications".

Inward investors buoy regions

By Graham Bowley

The regions of Britain most successful in attracting investment from companies based in countries outside the UK are managing to buck the current trend of falling manufacturing output, according to a survey published today.

Manufacturing industry in Scotland, Wales, the east Midlands and Northern Ireland has remained buoyant in spite of a national slowdown in manufacturing says Business Strategies, the economics consultancy. These regions have been among the most successful in capturing substantial inward investment by companies from outside Britain.

But the economies of the north-west, Yorkshire, Humberside and the west Midlands have been hit especially hard by the weakness of manufacturing. These regions have secured below average levels of inward investment.

The British government has actively pursued a policy of attracting inward investment to boost regional economies but has been criticised for the large subsidies some regional development authorities have paid to companies locating in Britain.

Mr Neil Blake, BSL's research director, said it was "very noticeable that all of the regions where manufacturing output appears to be buoyant are those which have received substantial amounts of foreign direct investment".

The exception is the north, which BSL predicts will be the slowest growing region this year in spite of sizeable inward investment. This region is suffering because of its large chemicals and metals sectors, which have been exposed to weak exports.

BSL forecasts manufacturing will bounce back to growth of 2.8 per cent in 1997 in line with the chancellor of the Exchequer's forecast.

BSL predicts the east Midlands will be the fastest growing region this year, followed by Northern Ireland and the south-west.

UK NEWS DIGEST

BBC chief skips W Service talks

Mr John Birt, the director-general of the BBC, has gone on a month's holiday three days before the Corporation explains its controversial plans for the reorganisation of the World Service to Mr Malcolm Rifkind, the foreign secretary.

Instead Sir Christopher Bland, the chairman of the BBC, is expected to be accompanied at Wednesday's meeting by Mr Bob Phillis, the deputy director of the BBC and Mr Sam Younger, the managing director of the World Service.

The Foreign Office pays around £175m ($273m) a year for the World Service, which broadcasts in English to the rest of the world, provides services in 42 other languages and monitors overseas broadcasts.

The BBC said yesterday it had never been envisaged that Mr Birt would attend but critics may still regard it as odd that Mr Birt will not defend the plans which he claimed authorship of and have led to the most bitter dispute over BBC management structure in recent years.

Raymond Snoddy

■ NORTHERN IRELAND

PM to meet loyalists

Mr John Major, the UK prime minister, will today meet representatives of the political wings of the loyalist paramilitaries in a further sign of government concern about the resumption of violence in Northern Ireland.

In Belfast, the British and Irish governments will attempt to inject new momentum into the multi-party peace talks, amid fears that without an early resolution of the current procedural wrangles the negotiations could peter out.

In Downing Street, Mr Major is due to hold talks with Mr David Ervine, the spokesman for the Progressive Unionists, and will also meet Mr Gary McMichael, leader of the Ulster Democratic party.

John Murray Brown

■ SMALL BUSINESS STANDARD

Accounting reform closer

Up to a million small companies today moved a step closer to coming under a special simple accounting code following publication of reforms to cut red tape.

The new Financial Reporting Standard for Smaller Enterprises – or "Frizzy" – could cut costs for small businesses by more than £50m ($78m) a year. It offers to replace several hundred pages of regulations with a single standard of 66 pages for those companies classed as "small" under the Companies Act 1985.

Now the draft standard passes to the industry regulator – the Accounting Standards Board – which launched the project and has the power to turn it into a binding code.

Meanwhile the government is considering altering the definition of a small company which would widen the Frizzy's impact by up to 10,000 more companies.

Jim Kelly

■ INWARD INVESTMENT

Samsung invests £5m

South Korea's Samsung Electronics is to build a £5m ($7.8m) research facility in Hampshire to test products for Europe.

The centre will test products to ensure they conform to European Union electro-magnetic compatibility standards. Due to begin operation next March, it will eventually employ 20 local people.

Clay Harris

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 21.07.96: Pool purchase price £/MWh	Final Prices for Trading on 23.06.96: Pool purchase price £/MWh	Final Prices for Trading on 23.06.96: Pool selling price £/MWh
0030	12.63	8.94	8.94
0100	11.76	8.91	8.91
0130	8.92	8.89	8.89
0200	5.58	8.89	8.89
0230	5.56	8.89	8.89
0300	5.56	8.89	8.89
0330	5.58	8.89	8.89
0400	5.56	8.89	8.89
0430	5.56	8.89	8.89
0500	5.56	8.89	8.89
0530	8.90	8.88	8.88
0600	8.90	8.88	8.88
0630	8.91	8.89	8.89
0700	8.91	8.89	8.89
0730	8.93	8.90	8.90
0800	12.62	8.91	8.91
0830	8.92	8.94	10.92
0900	13.03	17.02	19.00
0930	13.45	14.16	16.14
1000	18.37	17.96	19.94
1030	17.28	18.95	20.93
1100	18.37	19.67	21.65
1130	24.01	26.96	28.94
1200	33.88	26.96	28.94
1230	33.88	26.96	28.94
1300	33.88	26.96	28.94
1330	33.88	23.07	25.05
1400	18.37	17.96	19.94
1430	17.21	17.96	19.94
1500	17.21	16.59	18.57
1530	15.76	8.96	8.96
1600	15.76	8.96	8.96
1630	15.76	8.96	8.96
1700	15.76	16.59	18.57
1730	15.76	16.59	18.57
1800	15.76	17.96	19.94
1830	15.76	17.96	19.94
1900	15.76	17.96	19.94
1930	15.76	17.96	19.94
2000	9.00	17.96	19.94
2030	8.96	17.96	19.94
2100	8.96	17.96	19.94
2130	21.09	17.96	19.94
2200	22.62	34.27	36.25
2230	29.21	34.27	36.25
2300	29.21	34.27	36.25
2330	21.09	34.27	36.25
2400	13.03	22.96	24.94

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £10.88/MWh becomes 1.088p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8.30am and 5.15pm Monday to Friday.
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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 22.07.96: Pool purchase price £/MWh	Final Prices for Trading on 24.06.96: Pool purchase price £/MWh	Final Prices for Trading on 24.06.96: Pool selling price £/MWh
0030	12.59	8.91	8.91
0100	8.92	8.90	8.90
0130	8.92	8.90	8.90
0200	8.92	8.90	8.90
0230	8.92	8.90	8.90
0300	8.92	8.90	8.90
0330	8.92	8.90	8.90
0400	8.92	8.90	8.90
0430	8.92	8.90	8.90
0500	8.92	8.90	8.90
0530	8.96	8.87	8.87
0600	8.97	8.88	8.88
0630	8.99	8.89	8.89
0700	9.02	8.98	8.98
0730	18.34	18.43	17.89
0800	17.76	17.24	18.56
0830	18.98	20.88	22.44
0900	20.86	30.84	32.83
0930	22.80	32.39	34.83
1000	39.37	33.41	36.15
1030	40.68	33.70	36.52
1100	44.57	33.97	36.87
1130	46.03	26.11	29.23
1200	52.57	27.12	30.49
1230	52.40	41.86	44.97
1300	50.29	33.49	36.22
1330	42.06	22.06	24.24
1400	37.18	21.27	23.22
1430	21.64	20.88	22.71
1500	21.29	20.56	22.28
1530	21.27	18.96	20.68
1600	21.76	19.49	21.40
1630	22.27	21.90	24.10
1700	22.56	22.23	24.51
1730	21.48	21.42	23.44
1800	20.06	20.25	21.89
1830	18.75	17.43	18.78
1900	18.40	17.25	18.52
1930	18.17	17.10	18.35
2000	18.34	17.09	18.35
2030	9.08	16.76	18.01
2100	14.75	16.78	18.01
2130	18.16	16.78	18.01
2200	39.82	21.29	22.54
2230	39.82	26.37	27.63
2300	39.82	26.37	27.83
2330	17.70	16.76	18.01
2400	17.70	12.56	13.81

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £10.88/MWh becomes 1.088p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8.30am and 5.15pm Monday to Friday.
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WEEK AHEAD

UK COMPANIES

■ TODAY

COMPANY MEETINGS:
Allen, Brittania Hotel, Portland Street, Manchester, 12.00
Bristol Water Holdings, Holiday Inn Crowne Plaza, Victoria Street, Bristol, 11.00
Cranswick, Rowley Manor, Little Weighton, Beverley, East Yorkshire, 11.30
Ensor Holdings, Post House Hotel, Palatine Road, Northenden, Manchester, 11.30
Fulcrum Inv Tst, Middlethorpe Hall, Bishopthorpe Road, York, 10.30
Full Circle Inds, Dibbs Lupton, Broomhead, 117, The Headrow, Leeds, 1.00
Powerscreen, Ironmongers' Hall, Shaftesbury Place, Barbican, E.C., 12.00
Shelton (Martin) Group, The Jarvis Parkway Hotel & Country Club, Otley Road, Leeds, 12.00
Sterling Inds, Cayzer House, 1, Thomas More Street, E., 12.30.
BOARD MEETINGS:
Finals:
Abtrust Scotland Inv. Co.
Tomorrows Leisure
Interims:
Aukett Assoc.
Copyright Promotions

■ TOMORROW

COMPANY MEETINGS:
Amber Industrial Holdings, Cayzer House, 1, Thomas More Street, E., 12.30.
Anglian Group, Horsford Manor, Holt Road, Horsford, Norwich, Norfolk, 2.30
Carpetright, Amberley House, New Road, Rainham, Essex, 11.00
Chester Water, Aqua House, 45, Boughton, Chester, 12.00
Chloride Group, Institution of Mechanical Engineers, 1, Birdcage Walk, S.W., 11.30
Eurodollar (Holdings), Holiday Inn Mayfair, Berkeley Street, Piccadilly, W., 11.30
Geared Income Inv Tst, Casson Beckman, Hobson House, 155 Gower Street, W.C., 2.30
Hambros, 41, Tower Hill, E.C., 12.00
Hill Hire, Euroway Industrial Estate, Wharfedale Road, Bradford, 10.30
Invesco English & Intl Tst, 11, Devonshire Square, E.C., 12.00
Korea Asia Fund, KPMG, 1 Puddle Dock, Blackfriars, E.C., 12.00
Staveley Inds, Glaziers Hall, 9 Montague Close, London Bridge, S.E., 12.00
Votex Group, Copthorne Manchester, Clippers Quay, Salford Quay, Manchester, 11.30
BOARD MEETINGS:
Finals:
Barbour Index
K.S. Biomedix
Meatmore Abbey
Mitie Group
Ryland Group
Stagecoach Hldgs.
Wholesale Fittings
Interims:
Brixton Estate
M & G Equity Inv. Tst.
St. Modwen Props
Temple Bar Inv. Tst.
Updown Investment Co.

■ WEDNESDAY July 24

COMPANY MEETINGS:
Anglian Water, Performing Arts Centre, Hinchingbrooke School, Huntingdon, 11.30
British Steel, Westminster Central Hall, Storey's Gate, Westminster, S.W., 11.00
Dee Valley Water, Packsaddle, Wrexham Road, Rhostyllen, Wrexham, 3.00
De La Rue, Savoy Hotel, Strand, W.C., 12.00
Elliot (B), Royal Society of Arts, 8, John Adam Street, W.C., 12.00
Field Group, Raddison SAS Portman Hotel, 22, Portman Square, W.C., 11.30
Neepsend, Holiday Inn, Station Approach, Sheffield, 12.00
Osborne & Little, 49, Temperley Road, S.W., 11.00
Premier Health, Townsley & Co, 44, Worship Street, E.C., 11.00
Scottish Power, Edinburgh Festival Theatre, Edinburgh, 11.00
Vodafone Group, Queen Elizabeth II Conference Centre, Broad Sanctuary, S.W., 11.15
Wellman, Grand Hotel, Colmore Row, Birmingham, 11.00
WT Foods, Chamber of Shipping, 12 Carthusian Street, E.C., 11.00
BOARD MEETINGS:
Finals:
Birkby
Eurodis Electron
Manvier- Swain
Mosaic Investments
Rubicon Grp.
Vibroplant
Interims:
Allied Textile
Beta Global Emerging
Bullough
Lloyds Abbey Life
Masthead Ins. U'Writing
Murray Intl. Tst. Reuters
Spargo Consulting

■ THURSDAY JULY 25

COMPANY MEETINGS:
Applied Holographics, Credit Lyonnais Laing, 5, Appold Street, E.C., 11.00
Boots, Queen Elizabeth II Conference Centre, Broad Sanctuary, S.W., 11.00
British Thornton Holdings, Beeson Gregory, The Registry, Royal Mint Court, E.C., 11.00
Brockhampton Holdings, Brockhampton Springs, West St Havant, Hampshire, 12.30
BSS Group, Carling Belvoir Suite, Leicester City Football Club, Filbert Street, Leicester, 12.00
Claybithe, Mandeville Road, Aylesbury, Bucks, 2.00
Critchley Group, Calcot Manor Hotel, Tetbury, Gloucestershire, 12.00
Filofax Group, Filofax Centre, 21 Conduit Street, W., 11.00
Foreign & Colonial Private Equity Tst, Exchange House, Primrose Street, E.C., 12.15
GEI International, Painters' Hall, 9, Little Trinity Lane, E.C., 11.00
Hardy Oil & Gas, Plaisterers' Hall, 1 London Wall, E.C., 11.00
Harris (Philip), Swinfen Hall Hotel, Swinfen, Lichfield, Staffordshire, 2.30
Hogg Robinson, Waldorf Hotel, Aldwych, W., 3.00
Kleinwort Emerging Markets Tst, 10, Fenchurch Street, E.C., 12.30
London & Metropolitan, Kleinwort Benson, 20, Fenchurch Street, E.C., 10.30
Lowndes Lambert Group Holdings, Lowndes Lambert House, Friary Court, Crutched Friars, E.C., 12.00
Matheson Lloyds Inv Tst, Swiss Bank House, 1, High Timber Street, E.C. 12.00
Merchant Retail Group, Farmers' & Fletchers' Hall, 3 Cloth Street, E.C., 3.00
Morrison Construction Group, Balmoral Hotel, Princes Street, Edinburgh, 11.00
Northern Foods, Grange Park Hotel, Willerby, Near Hull, 12.30
Phoenix Timber Group, Butterfield Securities, 24, Chiswell Street, E.C., 11.00
Regalian Properties, Chesterfield Hotel, 35, Charles Street, W., 11.30
Renold, Renold House, Styal Road, Wythenshawe, Manchester, 2.30
Scapa Group, Moat House Hotel, Yew Tree Drive, Blackburn, 12.00
Scottish Hydro-Electric, Stakis Dundee Hotel, Earl Grey Place, Dundee, 11.00
Shanks & McEwan Group, Glasgow Hilton, 1, William Street, Glasgow, 11.00
TR Property Inv Tst, 3, Finsbury Avenue, E.C., 12.00
Wilmington Group, 1, Red Lion Court, E.C., 4.00
Yorkshire Water, Harrogate Conference Centre, Kings Road, Harrogate, 10.30
BOARD MEETINGS:
Finals:
Banks (Sidney C.)
Creighton's Naturally
Murray Income Tst.
Interims:
Admiral
Ayrshire Metal
Card Clear
Derby Group
ICI
RPS Grp.
Witan Inv. Co.

■ FRIDAY JULY 26

COMPANY MEETINGS:
Baodt, The Square, Basing View, Basingstoke, 12.00
Blacks Leisure Group, Howard Hotel, Temple Place, W.C., 11.00
Chamberlain & Hill, Chuckery Foundry, Walsall, 12.30
City of London PR Group, City of London Club, 19, Old Broad Street, E.C., 12.00
East Midlands Electricity, Damgate, 19-21, Guildhall Road, Northampton, 11.00
Electrocomponents, Lanesborough Hotel, Hyde Park Corner, S.W., 10.00
Ferrum Holdings, Friendly Hotel, Wolverhampton Road West, Walsall, West Midlands, 12.00
Hambro Insurance Services, 41, Tower Hill, E.C., 12.00
Hewetson, Marfleet, Hull, 12.00
Hyder, All Nations Centre, Sachville Avenue, Cardiff, 2.00
Invesco Blue Chip Tst, 11, Devonshire Square, E.C., 12.00
Magnum Power, Michaelson Square, Kirkton Campus, Livingstone, 12.00
National Grid, International Conference Centre, Birmingham, 11.00
National Power, Hilton Hotel, 22, Park Lane, W., 11.30
Norbain, Norbain House, 14-16, Boulton Road, Reading, Berkshire, 11.00
Portsmouth & Sunderland Newspapers, News Centre, Hilsea, Portsmouth, Hampshire, 12.30
Southern Electric, Poole Arts Centre, Kingland Road, Poole, Dorset, 11.30
United Utilities, GMEX, Windsor Hall, Manchester, 10.30
Waddington (John), Trinity House, Tower Hill, E.C., 11.00
BOARD MEETINGS:
Finals:
Angerstein Underwriting
Electric & General
Jersey Phoenix Tst.
Interims:
Corporate Services
Greggs
Lex Service
Rushmore Wynne Grp.

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

DIVIDEND & INTEREST PAYMENTS

■ TODAY

Abbey Natl Treas. Srvs. 10.20% Gtd Nts. '98 L10,000
Acatos & Hutcheson 3.5p
Airflow Streamlines 6p
Banco Real 10.25% Nts '97 $512.50
Basque Country 3¼% Bds '05 Y32,500
Bettorware 4.35p
Birmingham Mid BS FRN '98 £152.72
Exchequer 12% 99/2002 £6.0
Furukawa 4.35% Nts. 1997 Y435,000
Garrard & National 15p
Hickng Pentecost 4.4p
Int Bank Recon & Dev 9¼% Bds. '07 £462.50
Japan Air 5.5% Bds. Jul '03 Y550,000
Do 6% Bd '98 Y600000.0
Do 6¾% Bd 2003 $66.25
Kyushu Elec 6¾% Bd 2003 $318.75
Mitsubishi Chem 6% Nts '98 Y600000.0
Northern Rock Bldg Scty FRN '98 £153.84
Property Partnerships 5.6p
Sanwa Australia Fin Gtd Fxd/FRN '04 $2647.23
Societe Gen Equity (CI) High Yld Pf 18.491p
Stoddard Sekers 0.375p
Sweden 13½% Ln 2010 £67.50
Taisei FRN 1997 Y1093969.0
Texas Instruments $0.17
Tokyo Gas 5½% Nts 1998 $275.0
Tokyo Tatemono 4.9% Bd 1998 Y490000.0
Treasury 4¼% IL 2030 £2.2669
Treasury 13¼% Ln 1997 £6.625
Treasury 11¾% 2003/07 £5.875
Yokohama 6½% Gtd Bd 2005 $65.0
Hino Motors 6% Bd '96 Y600000.0
Itochu FRN 1997 Y20963.0
MEPC 5.25p
Oceana Cons 2.75p
Plysu 5.35p
Sattire 0.1p
Wynnstay Props 3p
YTB Fin (Aruba) Gtd Sb FRN 2003 $1541.64
York Waterworks 7.9p
Do A 7.9p

■ TOMORROW

African Dev Bank 11¼% Bd 2001 £562.50
Fujitsu 3.95% Bd '97 Y395000.0

■ WEDNESDAY JULY 24

Bertam 4p
Bristol Utd Press 9p
Clarke Nickolls & Coombs 0.15p
Gold Fields SA Cv Pf R1.45
La Riches Stores 11.6p
Mid Kent 17.75p
Nat West Bank Und Var Rate Nts $1582.50
NT & T 9¼% Nts 1997 $925.0
Okobank Var Rate Sb Nts 2000 $152.93
Redland US Fdg 7½% Gtd Bd 1997 $362.50
Rowlinson Sec 2.26p
Total B FFr13.05
Utd Utilities 11¼% Bd 2001 £116250.0

■ THURSDAY JULY 25

Abacus Polar 1.68p
BS 3p
Britannia Bldg Fltg Sb Nts '05 £16627.39
CPC Int $0.38
CSR A$0.15
Chester Water 4.24p
Danka Business Systems 1.08p
Debenhams 7½% Un Ln 02/07
Do 7¾% Un Ln 2002/07 £3.875
Dee Valley Water 9.67p
Do N/Vtg 9.67p
General Electric $0.48
Housing Sec 8¾% Db 2019 £4.1875
Hydro-Quebec 10¾% Db Ser HW Jul '01 C$54.375
Invesco English & Int Tst 0.6p
Leicester City 7% Ln '19 £3.50
Molex $0.015
Do Class A $0.015
Nursing Home Props 1.2p
Penna 1p
Ptarmigan Int Cap Tst 1.9p
Salford (City Council of) 7% Ln 2019 £3.50
Spirax FRN 1998 $14.02
TSB Hill Samuel Bank FRN 2016 $290.60
Treasury 13¾% 2000/03 £6.875

■ FRIDAY JULY 26

Airsprung Furniture 3.7p
Allied Domecq 8.44p
Anglo Am Corp SA R4.40
Apollo Metals 1.35p
Avon Rubber 5.75p
BZW Cv Inv Tst 1.5p
Belcanto $0.20
Bridgend 0.1p
Brown (N) 4.1p
Burton 1.15p
Capital 2.67p
Chamberlin & Hill 5p
Co-operative Bank Sb FRN 2000 £76.92
Dunedin Smaller Co's Inv Tst 3p
Eldridge Pope A Rest/Vtg 1.85p
Fleming Contl European Inv Tst 4p
Glenmorangie A Lim/Vtg 9.25p
Do B 4.625p
Grainger Tst 1.62p
Hazlewood Foods 7¾% Cm Ptg Pf 4.375p
Hydro-Quebec FRN Ser FY Jul 2002 $271.74
Invesco Asia Tst 0.6p
Italy Global FRN Jul 1999 $14.01
Do Global FRN Jul 1999 Y1770.0
Jarvis Porter 4.6p
Jenning Bros 2.5p
King & Shaxson 3½% Cm Ptg Pf 3.15p
Do 5% Cm 2nd Pf 1.75p
Lloyds Bank Ser A Var Rate Sb Nts 1998 £154.48
Locker (T) 0.6p
London Scottish Bank 0.85p
McLeod Russel 2.85p
Mitsui Fxd/FRN 1997 Y425000.0
Moorgate Smaller Co's Inc Tst 2.72p
Murray Inc Tst 2.7p
Northern Investors 5p
Osborne & Little 20p
Premier Farnell Cv Rd Pf $0.36073
Do (£ Coupon) 26.149p
Ramco Energy 1p
Riverview Rubber M$0.30
Sainsbury (J) 8.7p
3i Grp 5p
Time Products 4.5p
Toy Options 1p
Treasury 2½% IL 2013 £2.2941
Treasury 7¾% Ln 2012/15 £3.875
Ugland Int 3.5p

■ SUNDAY JULY 28

Treasury 8½% Ln 2000 £4.25

FINANCIAL TIMES
COMPANIES & MARKETS

Monday July 22 1996

Toshiba to extend international alliances

By William Dawkins in Tokyo

Mr Taizo Nishimuro, the new president of Toshiba, Japan's *second largest integrated electronics company*, is planning to seek international alliances or closures where the group cannot compete effectively alone.

Mr Nishimuro, in his first interview with a foreign newspaper since taking office last month, said he had launched a review of the group's operations, with the aim of focusing more sharply on basic semiconductor technology, *integrated systems (advanced microchips)*, visual communications and power generation, its core businesses.

"The technology and the businesses which we are engaged in are getting more complex. In these circumstances, if we try to do everything by ourselves, we are making a mistake. We would rather concentrate on businesses where we can claim to have something to contribute," he said.

Toshiba would seek new international alliances in *"potentially every business* sector but wherever we feel it is better, not only with large, *but also small enterprises"*.

The group already has joint ventures with Motorola of the US in semiconductors, Time Warner of the US in cable television, IBM in visual displays and Thomson Multimedia of France in video cassette recorders, among others.

Where alliances proved unsuitable, there would be closures, though Mr Nishimuro declined to specify, beyond saying that they would be carried *out in a "quiet and patient"* manner.

Mr Nishimuro's appointment has been widely seen among other Japanese companies as a mark of change at Toshiba. He has spent most of his career working in semiconductors and consumer electronics, rather than engineering, as have most previous Toshiba presidents.

Group net profits declined in the three years to 1994, since when they have bounced back, with more than doubled profits of Y90.4bn ($829m) in the year to March, helped by strong demand for semiconductors, on a 7 per cent increase in group sales to Y5,120bn. But the company faces a sudden sharp drop in demand for semiconductors and fierce competition in multimedia.

However, Mr Nishimuro expects Toshiba's information technology, communications systems and semiconductors division to grow faster than its engineering interests over the next decade.

It will be helped by the launch next autumn of the dig*ital video disc player, widely* tipped to be the most important consumer electronics product of the 1990s.

He predicted that the electronics businesses would account for 65 per cent of total sales in 10 years' time, up from 54 per cent last year. Of the remainder, 22 per cent was in heavy electrical apparatus, such as power generation equipment, and consumer products.

Fresh outlook at the top, Page 12

Hollinger proposes $285m Fairfax share deal

By Bernard Simon in Toronto

Mr Conrad Black's Hollinger International newspaper group may raise as much as $285m through securities backed by its stake in John Fairfax, the Australian publisher.

Hollinger International, which is 66.5 per cent owned by Mr Black's main holding company, Toronto-based Hollinger Inc, also said it was trimming a planned international equity issue because of stock market turbulence.

The proposed Fairfax deal, disclosed in a filing to the US Securities and Exchange Commission, could lay the groundwork for the disposal of Mr Black's 24.7 per cent interest in the Australian chain, which is held through the UK's Telegraph group.

A decision is *expected to* hinge on a forthcoming review of media ownership rules by the Australian government. The rules presently bar Mr Black from owning more than 25 per cent of Fairfax. Depending on the outcome of the review, he is likely either to increase his stake or sell.

Hollinger said in the SEC filing that the securities would be designed "to monetise its investment in Fairfax ... while retaining the option of maintaining or increasing its indirect holdings."

The scaled-back share issue is one of a number of debt and equity deals designed to replace short-term borrowings incurred in Hollinger's pending buy-out of minority shareholders in the Telegraph group and expansion of its stake in Canada's Southam newspaper chain from 21 to 41 per cent.

Analysts and credit rating agencies have expressed concern about the impact of the Telegraph and Southam deals on *Hollinger's balance sheet.*

Hollinger shares have dipped from a peak of $13¾ on the New York Stock Exchange in May to $10. They gained 25 cents on Friday. The equity issue, initially set to raise about $425m, has been reduced from a minimum of 18m common shares and 21.5m convertible preferred shares to 10m and 15m respectively.

Hollinger did not elaborate on how it planned to monetise the *Fairfax stake.*

One widely used instrument is a debenture that allows repayment in cash or shares, at the issuer's option.

Conrad Black: waiting for media ownership review

The two groups' shares start trading separately next month amid less noise about a bid for the music side

Thorn and EMI prepare to dance to different tunes

A chapter of British corporate history will close today when Sir *Colin Southgate announces the* valedictory set of results of Thorn EMI, together with formal proposals for its demerger.

The stock market will be interested less in what Sir Colin says – most of the demerger details are known and few analysts have bothered to estimate quarterly figures – than in the outlook for the Thorn retail chains and EMI music group as independent entities. On Friday the *group's shares closed at* £17.35, a market value of £7.47bn ($11.6bn).

The immediate concern for Thorn EMI's investors will be the value of the two companies' shares when they start trading separately next month. Yet the subtext to the demerger is whether it will, as the speculators hope, trigger a bid for EMI.

Thorn, a series of household rental and retail chains including Rent-A-Center in the US and the UK's Radio Rentals, has most to gain from the *demerger. Overshadowed by* the bigger and more glamorous music business, it should benefit from focused senior management and the full attention of the investment community.

Thorn's finances improved after last year's part-sale, part-closure of Rumbelows, the troubled electrical chain. It mustered a 28 per cent increase in operating profits to £187m (£152m) in the year to March 31 on turnover down (because of losing Rumbelows) *from* £1.62bn to £1.54bn. SBC Warburg, which is advising Thorn EMI, *forecasts an 11 per cent* rise in pre-tax profits to £190m this year.

However, Thorn's international breadth and its idiosyncratic mix of retail and rental activities make it difficult to value. The middle of the range of share prices forecast by analysts is 440p, putting Thorn at a slight discount to the retail sector and valuing it at £1.9bn.

EMI's valuation is more straightforward. As the fourth largest of the big five companies that dominate the $40bn (£26bn) music market and the *owner of the world's biggest* music publisher as well as the HMV chain of record shops, it should command a healthy premium, as does the closest comparable company, PolyGram. Mr Steve Winram, media analyst at BZW Securities, expects its shares to start trading at about £13.50, valuing EMI at around £5.8bn.

The company's prospects seem bright. EMI raised pre-tax profits 25 per cent to £425m (£341m) *in the year to March* 31, on revenue 23 per cent higher at £2.71bn (£2.19bn). *Older*, the George Michael album, is selling well and the new Beatles release is expected to be a hit this autumn.

Over the longer term, EMI is well placed to benefit from the 7.5 per cent annual compound growth forecast for the music market over the next five years by Music Business International magazine. Growth will be higher at 13.4 per cent in the emerging markets such as Asia, Latin America and east*ern Europe. Whereas North* America, EMI's weakest market, will have far slower growth and profitability will remain under pressure.

Yet EMI's outlook is still coloured by bid speculation. A year ago the prospect of a North American entertainment group snapping up the last of the big five record companies to remain in private hands was considered a near certainty, but now the odds are longer.

One issue is expense. Thorn EMI's shares have risen 70 per cent in the past 18 months and *Mr Nigel Reed, media analyst* at Paribas, suspects EMI could cost up to £7.74bn, given there *are several suitors and a bid* might trigger an auction.

Another consideration is that the likely bidders have been distracted by other issues. News Corp is concentrating on expansion in television, as illustrated by last week's $2.5bn offer for New World Communications. Viacom is constrained by the debt incurred to buy the Paramount movie studio. Walt Disney is still getting to grips with the recently acquired Capital Cities/ABC. Even Seagram, the market's favourite bidder given that EMI would neatly complement its MCA record labels, is said to be wary about entertainment investments after the costly MCA deal.

If there is no bid, what will happen to EMI's shares? Sir Colin insists that it justifies its premium on fundamentals given the music market's growth prospects and the potential for diversification into music-related fields such as radio, television and direct record sales.

Yet analysts suspect that, even if a bid does not materialise promptly, the speculation will simmer on. "The market won't believe EMI isn't going to be bid for until it sees sworn *affidavits* from the head of every entertainment group," said Mr Mike Hilton, media analyst of Kleinwort Benson. "And that will never happen."

Alice Rawsthorn

EMI Group's artists include (clockwise from top left) The Beatles, George Michael, Radiohead, Roberto Alagna and Angela Gheorghiu

INSIDE

Metallgesellschaft

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Global Investor

Efficient market theory suggests stock picking should not work over the long run, although studies have shown that anomalies do persist. While some systems have produced brilliant results when back-tested over previous years, they seem to break down when hard cash is invested. Better luck will be needed for a new investment trust which is based on a theory of earnings momentum. Page 22

Emerging Markets

According to Mr Graham Catterwell, head of equities at Deutsche Morgan Grenfell: "Thailand's a manic-depressive market – when it's down it's the end of the world and everything's going to zero. And when it's up nothing can go wrong." Unfortunately, this year the mood is down. Page 24

GKN in exclusive deal with Fiat

By Haig Simonian, Motor Industry Correspondent

GKN, the *world's leading* maker of constant velocity joints for the motor industry, has signed an exclusive deal *to* supply parts for Fiat's new Palio world car wherever it is built around the globe.

The secret deal is the first time a carmaker has agreed to let a components company supply crucial parts for a new model on such an international basis.

The Palio, designed for fast-growing car markets in south *America, Asia and eastern* Europe, will probably be built in at least six countries, includ*ing Brazil, Argentina, Poland* and India.

GKN declined to put a value on the deal. However, Fiat has said production of the Palio, launched in Brazil earlier this year, could reach up to 1m units a year at full tilt.

The agreement marks a further step in GKN's strategy to develop its international coverage to meet the needs of carmakers as the motor industry grows more global.

The UK group is expected *shortly to announce a number* of other transactions to reinforce its position as a leading international components maker.

In China, it plans to double its 25 per cent stake in Shanghai GKN Drive Shaft, a joint venture which supplies CVJs to Shanghai Volkswagen, the country's biggest carmaker. It is also expected to announce that it will start manufacturing CVJs at a new site in northern China.

Thailand, which is establishing itself as a centre for the motor industry in Asia, is also *under consideration for a new* factory.

GKN makes about 40 per *cent of the CVJs* used by the world motor industry. Although it supplies virtually all the world's big carmakers, it has recently developed a particularly close relationship with Fiat.

The Italian company has been at the forefront of the accelerating trend towards "outsourcing". Many carmakers are now contracting out important functions to suppliers in order to reduce costs.

COMPANIES IN THIS ISSUE

Eurotunnel to face French court if deadline passes

By Geoff Dyer in London and David Owen in Paris

Eurotunnel's fate will be in the *hands of the president of the* French commercial court if it fails to agree an outline refinancing plan with its banks by the end of this month.

Negotiators believe the court is likely to ask for a continuation of some form of non-binding arbitration between Eurotunnel and its 225 banks.

However, the court does *have the option of beginning* formal pre-insolvency procedures for the Anglo-French operator of the Channel tunnel if no agreement is in sight.

The two sides will continue their negotiations this week to try to break the deadlock before the end of the month. The talks, which have made progress in recent weeks, are *believed to centre around* the sizes of a debt-for-equity swap and a convertible bond issue.

In February, the commercial court appointed two mediators – Mr Robert Badinter and Lord Wakeham – to assist the negotiations, which began in September when Eurotunnel *halted interest payments* on £8.4bn ($13.1bn) of debt.

However, the mandate of the two mediators, who *last* week presented their report on progress in the talks to the French court, runs out on July 31.

At the group's annual meeting last month, Mr Patrick Ponsolle, co-chairman, said that if the company did not *reach an outline* refinancing agreement by the end of July, "we will never get there ... [and] we will have to bear the consequences".

Lawyers said that if the president of the court believed an agreement was in sight he would probably ask for further informal arbitration, either by extending the mandate of the *mediators or by asking* different independent advisers to assist the talks.

However, the court would have the power to begin *redressement judiciaire*, a court-based reorganisation procedure which lawyers say could lead to Eurotunnel being put into administration in the UK.

Bankers involved in the negotiations said they thought *the court would request fur*ther mediation if there was no agreement by the end of the month. However, one negotiator said: "The problem is that no one person is in charge of the process."

Adacte, the Association for the Defence of Eurotunnel Shareholders, acknowledged that the company could be put *into administration* if the deadline was not met.

However, Mr Joseph Gouranton, vice-chairman of the shareholders' organisation, said: "We do not expect a bankruptcy. We still have some time left."

He thought a final *decision* on the company's future would not be made until the autumn.

Eurotunnel refused to comment.

COMPANIES AND FINANCE

Lucas confident of completing Varity merger

By Ross Tieman and John Griffiths

Lucas Industries last night appeared confident of completing its planned £3.2bn ($4.99bn) merger with Varity Corporation of the US, in spite of suggestions that Caterpillar, the US earth moving equipment and diesel engine manufacturer, might bid for Varity.

Caterpillar, which has been aggressively expanding its diesel engines business by acquisition, is believed to be attracted by Varity's UK-headquartered VarityPerkins diesel engines business – one of the world's biggest independent diesel engine manufacturers.

However, an alternative possibility is that Caterpillar might make an offer for the business once the LucasVarity merger was completed. Caterpillar yesterday would neither confirm nor deny its interest.

The driving force for the LucasVarity merger is the desire to combine Lucas's brakes business with Varity's Kelsey-Hayes subsidiary, a world leader in anti-lock braking systems for light trucks. LucasVarity would be one of the world's top automotive component groups, with Varity's Mr Victor Rice at its head.

But directors of Lucas and Varity have yet to discuss focusing the merged group. The future of VarityPerkins and Lucas's aerospace components business are likely to be reviewed. Some within Lucas view both as "secondary" to the core automotive component activity.

VarityPerkins' status as one of the world's biggest independent producers of diesel engines makes it an obvious user of Lucas's advanced diesel fuel injection systems. It builds 250,000 engines a year and plans to double this rate of output by the end of the decade, partly by moving into areas such as large-capacity executive car diesels.

However, Lucas has a global network of car and truck makers for whom it develops, as well as supplies, diesel systems. Some regard VarityPerkins as a rival and may not welcome such a close association between VarityPerkins and a company they have entrusted with their evolving engine technology.

Assuming that the merger does go through, LucasVarity will have to assess whether prospects for the $650m turnover diesel engines business outweigh potential difficulties with other buyers of Lucas diesel systems. A sale of VarityPerkins to Caterpillar or another US rival, Cummins, could provide a satisfactory solution.

Three in frame for Westminster Press sale

By David Blackwell

Three bidders are likely to emerge before the end of this month for Westminster Press, the UK regional newspaper business which was put up for sale last month by Pearson, the media group.

The three are understood to be Mirror Group Newspapers acting with Independent Newspapers, the Irish media group; Newsquest, a management buy-out from Reed Elsevier last year, led by Kohlberg Kravis Roberts, the US investment firm; and CinVen, the venture capital group. Due diligence operations started last week.

Among those that have fallen by the wayside – perhaps deterred by the minimum £300m price tag – are United News and Media and the Daily Mail and General Trust.

Pearson, which also owns the Financial Times, last month appointed Lazard Brothers to approach about half a dozen potential buyers.

The Mirror Group's continuing interest in regional newspapers has been reflected through its stake in Scottish Television, which is bidding £120m for Caledonian Publishing, publisher of The Herald and Evening Times in Glasgow. Nevertheless, MGN is believed to feel that the price being sought for Westminster Press is on the high side.

Last year Westminster Press made operating profits of £25m on sales of £143m before exceptional charges of £5.7m for redundancies and closures. It has more than 60 titles, including the Evening Argus (Brighton) and the Oxford Times. Total circulation is more than 2.4m papers, but is in decline – in the first half of 1995 Evening Argus sales fell 8 per cent to 62,652.

Mr John Makinson, Pearson finance director, last month described the disposal as "a sensible way to free resources" to achieve better positions in the group's chosen international markets of information, education and entertainment.

Sharp rise in bid activity

By Motoko Rich

UK bid activity increased by nearly 50 per cent in the year to March 31, reaching its highest level since the end of the 1980s.

According to the Takeover Panel's annual report, there were more takeover or merger proposals published in 1995-96 than in any of the previous six years.

Some 156 takeover or merger proposals were published, up from 108. Of these, 151 (106) issued formal documents – associated with 145 target companies.

Of the formal offers, 37 were not recommended initially and 32 of these remained hostile. Of the unrecommended bids, eight lapsed.

The panel consulted on a further 241 cases which either did not lead to published proposals, were waived in cases involving very few shareholders, or involved controlling blocks of shares.

The high level of activity helped the panel more than double its surplus after interest and tax to £2.02m (£900,096), on income of £5.49m (£4.6m). The accumulated surplus was £7.55m.

The contract note levy will be cut from £1 to 25p per transaction from February 1.

Goldman buys CINMan

By John Gapper, Banking Editor

Goldman Sachs, the US investment bank, is to buy CINMan, the pension fund manager for 500,000 current and former UK coal industry employees. The deal concludes a 16-month effort to sell CINMan.

The sale includes a six-year management agreement covering £15bn of CINMan's assets which are held in marketable securities. A further £2bn is held in property.

The deal gives Goldman Sachs Asset Management its first chance to manage a balanced portfolio in the UK. The firm already employs fund managers in the UK, but they invest overseas funds in European securities.

GSAM is thought to have paid between £40m and £50m to buy CINMan. Most of its 55 employees will transfer to GSAM, and will continue to invest the coal industry pension fund liabilities.

GSAM was among five institutions bidding for CINMan, which was originally sold for £70m to Friends Provident in December. However, the Friends Provident deal fell through within six weeks when the fund managers rejected it.

The enlarged GSAM will have about $85bn (£54.4bn) under management. The deal is part of GSAM's efforts to manage large, complex portfolios for which it can use its global asset allocation techniques.

Mr David Ford, co-chief executive of GSAM, said he believed its ability to improve the investment performance of the coal industry pension funds had been as important in winning the deal as the initial purchase price.

"If we can improve the value of the funds over the life of the contract, it is worth a great deal more than the purchase price," said Mr Ford.

The length of the contract appealed to GSAM because it ensured it a long-term commitment.

GSAM now manages public employees' pensions in Japan, and is also developing mutual funds there.

Mr Ford said some of CINMan's asset managers might switch to Japan and other centres to manage some of the funds locally.

Mr Neil Clarke, chairman of British Coal, said that bids had sought and received from "a number of very high quality institutions". He said Goldman Sachs' ownership would give CINMan's staff new opportunities.

Costain vote 'too close to call'

Alan Lovell: receivership faced if shareholders block rescue plan

By Andrew Taylor, Construction Correspondent

Today's vote by Costain shareholders on a £73.6m rescue share issue, "was too close to call", Mr Alan Lovell, chief executive, said last night.

Intria, a Malaysian construction company which is underwriting a large part of the issue, is expected to be left with a stake of up to 40 per cent of the enlarged capital.

Mr Lovell has said that Costain would be forced into receivership if shareholders blocked the issue.

Costain's bankers, which are also underwriting the issue, could be left with a holding of up to 35 per cent, swapping debt for equity.

However, the two largest shareholders – Kharafi, a Kuwaiti industrial conglomerate, and Raymond International, a Saudi Arabia-based construction company – object to the terms.

Both companies, which each have a stake of about 19 per cent, previously have indicated to Costain that they will vote against the proposals.

A number of UK institutional shareholders have said they will support the company in the absence of any other rescue proposals.

Shareholders are being offered three new shares at 50p each for every one owned. The shares, suspended this month at 39p, will be relisted if the proposals are approved.

Takeover bid for Leeds FC in court

By Patrick Harverson

A High Court judge will decide this week whether the £16.5m takeover of Leeds United Football Club by Caspian, the publicly-quoted media group, should be allowed to proceed.

The court today will hear a petition lodged by Mr Peter Gilman, one of Leeds' three executive directors, asking for the deal to be blocked on the grounds that it breached a prior agreement he had struck with the Yorkshire club's other two directors.

Just over a fortnight ago the two directors, Mr Leslie Silver, the former Leeds chairman, and Mr Bill Fotherby, the current chairman, accepted an 82.5p a share offer from Caspian. They rejected a higher rival bid from Conrad, the sports and leisure group, that Mr Gilman had backed.

He claims their deal breached a verbal agreement between the directors that each would be given first refusal on their shares in the event of an offer for the club. Each of the directors owned stakes of 32.6 per cent.

At the weekend Mr Fotherby wrote to shareholders explaining that Caspian's offer was backed by the best combination of funding and management skills to allow Leeds to capitalise on its position as a top English club.

Meanwhile, Conrad has revealed it is considering approaches from various clubs seeking help in securing a stock market flotation.

Bank of Scotland awaits fate of stake this week

By George Graham, Banking Correspondent

Bank of Scotland will this week learn the fate of the 29 per cent stake which Standard Life, its largest shareholder for the last 11 years, has put up for sale.

After two weeks of roadshows, which have coincided with some of the most turbulent stock market conditions for years, investment bankers at BZW will today begin gathering orders for the shares in the bookbuilding process.

On Wednesday, they will announce the price and tell institutions how many of the 351m shares offered by Standard Life have been allocated.

BZW conducts the exercise through a computer model which collates orders and displays the patterns of demand, broken down by geography, price, order size and type of investor, on 12 stacked Macintosh screens.

Some investment bankers encourage institutions to place unqualified orders, good at any price. However, BZW believes it can price the shares more accurately if institutions give it a more precise idea of their appetite at a range of prices.

"If you can get a real idea of the investors' demand elasticity, you have a much better chance of pricing it right," said an investment banker who has been involved in several bookbuilding exercises.

Sir Bruce Pattullo, the bank's governor, hopes the technique will help to avoid pushing the shares down.

"We are quite glad Standard Life did not go for a bought deal, because by definition a bought deal is going to be done at a discount," he said.

But with conditions so volatile, some analysts believe investors will be reluctant to stick their necks out on the right price for the shares.

The bank has one of the sector's best track records. Yet many investors are uncertain whether this will translate into a rising share price in future.

"It is a well-managed bank and it has had a premium rating for as long as I can remember. The question you have to ask is, was that premium rating created by the quality of the management, or by the fact that 32 per cent of the shares were locked up in the hands of Standard Life," says Mr David Poutney of Panmure Gordon.

Its post-tax return on equity has averaged 13.3 per cent in the past nine years and Sir Bruce boasts it has increased its dividend for the past 24.

Critics counter that its dividend yield is still the lowest in the sector and that other banks have caught up to its return on equity. Moreover, its loan growth has been much faster than rivals, lowering its return on weighted risk assets to just 0.88 per cent, some 40 per cent below the sector average.

Although the share price has held up well in the recent market turmoil at about 234p, many institutions are still seeking a discount of about 10 per cent from the trading range before the offering of 244p-245p.

"You are absorbing a lot of the net buying demand for months to come, so the price will go to sleep. That means that people will want it to look explicitly cheap," concluded one analyst.

Readicut moves into wallpaper

Readicut International, the household textiles, carpeting and yarn company, is moving into wallpaper with the purchase of Alan Farrow Group in a deal worth £28.8m.

Readicut will pay £22.2m for the share capital of the specialist supplier to the wallcoverings industry, and assume £6.6m of bank debt.

AFG's net assets are only £800,000, partly because of this debt and partly because of a pre-acquisition dividend of £12m paid to Mr Alan Farrow and Mr Ian Knighton, the sole directors and shareholders. Its sales were £44.5m and operating profit £4.5m in the year to September 30 1995.

ICI set to detail £400m cost cuts

By Jenny Luesby

Imperial Chemical Industries will this week unveil details of its £400m cost-cutting and efficiency drive in an effort to stem the slide in its share price, which has fallen by more than 17 per cent in three months.

On Thursday, as the group announces an expected drop in interim profits, Mr Charles Miller Smith, chief executive, will face tough questions on how he plans to meet his pledges.

Mr Miller Smith has yet to provide details of the "value gap" programme, which he said last year would be at the heart of a new direction for the group. "All we have heard so far is very nebulous," said one analyst. "We are going to need something far more concrete."

This pressure for information has intensified as the outlook has deteriorated. Analysts now expect a fall of more than 30 per cent in the group's second-quarter earnings, with pre-tax profit forecasts ranging from £173m to £198m, compared with £289m last year.

The slide has been caused by external factors, with overcapacity triggering a reversal in ICI's star business, polyester, and weak demand causing a slowdown in its other growth centre, the materials division.

However, it has also thrown the spotlight on to the potential of the value gap programme, which has left analysts floundering. "We are simply being asked to take the £400m on trust," said one.

ICI's Tioxide subsidiary is overhauling 15 sites, starting with Grimsby. Grimsby is investing £10m in manufacturing improvements, which it believes will cut costs by 15 per cent within 18 months.

COMPANIES AND FINANCE

Metallgesellschaft fails to settle

By Andrew Fisher in Frankfurt

Metallgesellschaft, the German industrial and trading company that nearly collapsed in 1994, backed off at the weekend from an out-of-court settlement of bitter legal disputes with its former chairman, Mr Heinz Schimmelbusch, saying he should admit clear responsibility for the crisis.

The company's supervisory board met on Saturday to try to agree the terms of a settlement, but came to no conclusion. Metallgesellschaft said the non-executive board decided the question of responsibility should be brought out more clearly in any deal with Mr Schimmelbusch and Mr Meinhard Forster, former finance director.

The meeting was aimed at ending the legal suits between Mr Schimmelbusch and the company. Metallgesellschaft is suing him for DM25m ($16.8m), alleging dereliction of duty over the US oil futures trading losses that emerged in December 1993 and led to a DM3.4bn bank rescue a month later.

In turn, Mr Schimmelbusch is suing the company, Deutsche Bank, and Mr Ronaldo Schmitz, for $10m, alleging defamation. Mr Schmitz, a director of Deutsche Bank which led the rescue operation, is head of the supervisory board.

Under an out-of-court settlement, the company would make payments to both men, agreed when they were dismissed during the crisis. These involve transitional arrangements before pension obligations come into force. The company has denied Mr Schimmelbusch would be paid up to DM5m.

Mr Schimmelbusch, who has business interests in the US and Europe, produced an 850-

Heinz Schimmelbusch: reply to charges runs to 850 pages

page document in his reply to the Metallgesellschaft charges, due to be heard in court this November. The company said this contained nothing new.

The complex oil derivatives deals that led to the rescue package were carried out by US-based managers of Metallgesellschaft. In January, 1995, a special auditors' report reproached Mr Schimmelbusch for "careless actions of a high order" and said he should have exercised a special control and supervisory role.

It said his failure to do this showed "behaviour contrary to duty". The report, by auditors Wollert-Elmendorff and C&L Treuhand (part of Coopers & Lybrand) also said he and Mr Forster had neglected their duty as directors by failing to be aware of the scale of the oil losses or to initiate remedial action.

At the weekend, the company said the supervisory board still believed the two men had breached their duties to Metallgesellschaft and their obligation to exercise control. The board will not meet again until the autumn.

Digital Domain may seek external funds

By Alice Rawsthorn

Digital Domain, one of the largest of Hollywood's new breed of digital entertainment companies, is considering making a public share offering to finance its expansion into film production.

Mr Steve Fredericks, chief operating and financial officer of Digital Domain, said the company, which has created effects for a string of blockbuster movies including *Apollo 13*, *Interview With The Vampire* and *True Lies*, intends to seek external capital within the next year or so.

"We haven't decided exactly what we'll do," he said. "There are various options: a public offering of a small percentage of the equity, a private placing, or tapping the credit markets. But we'll do something within six to 18 months."

If Digital Domain does go public, the issue could generate as much excitement as Pixar, the US electronic film company behind *Toy Story*, which was valued at more than $1bn after its flotation last year despite having only 200 employees and annual turnover of $15m.

Like Pixar, Digital Domain is a young company, but has expanded rapidly since its formation three years ago by a consortium including IBM and James Cameron, director of *Terminator*.

The company has benefited from dramatically increased demand for computer-generated effects, which are now a standard part of most blockbuster films and can use up to $25m of a $75m-plus film's production budget.

Digital Domain employs 425 people at its headquarters near Venice Beach in California. It has become one of the biggest digital effects houses alongside Industrial Light & Magic, which was founded by the *Star Wars* director, George Lucas.

Mr Fredericks refused to disclose Digital Domain's turnover or profits, other than to claim it was "a number of times bigger" than Pixar.

The company is working on two big budget films, *The Fifth Element* and *Dante's Peak*, as well as on James Cameron's *Titanic*.

It also supplies effects for commercials and pop videos, and will launch its first CD-Rom, *Barbie Fashion Designer*, this autumn as a 50:50 joint venture with Mattel, the US toy group.

Mr Fredericks said Digital Domain is keen to diversify into film production. Its first project will be *Aviator*, which will use a new form of *Toy Story*'s photo-realistic animation techniques.

However, he said, the company will need to raise external capital to fund the move into production.

NEWS DIGEST

Nestlé raises Osem holding to 40%

Nestlé, the Swiss food group, has raised its holding in Osem Investments to 40 per cent, giving it a controlling stake in Israel's second-largest publicly traded food manufacturer. The two companies announced yesterday that Nestlé purchased an additional 20.04m shares in Osem for $140.31m. Last week, Nestlé exercised a $40m option to purchase 10 per cent of Osem shares, of which it already owned 4.5 per cent.

Nestlé acquired the Osem shares from Claridge & Kolber Trust, owned by the Kolber family and Charles Bronfman of Canada, and from the Renaissance Fund, in which Claridge is a significant investor. Claridge purchased 33 per cent of Osem shares in 1991 from the families of two Osem founders for $26m. Osem went public in 1992, selling 25 per cent of its shares. Osem shares on Sunday were trading down 0.25 per cent at Shk18.18 ($5.72), about 22 per cent below the $7 per share Nestlé paid.

Osem, which comprises 12 production plants and five distribution centres, produces more than 1,000 items and in some categories has a market share of over 50 per cent.

Reuter, Tel Aviv

Wolford earnings up 34%

Wolford, the Austrian company which makes ladies' luxury tights, increased net profit in the year to April 1996 by 34 per cent to Sch166.3m ($15.9m), comfortably ahead of the Sch150m forecast at the start of the year and notably faster growth than turnover, up 16 per cent at Sch1.47bn.

Wolford, a stock market high-flyer since its shares were floated in February 1995, said turnover of its own brands – 91 per cent of sales – increased by 22 per cent. Turnover in Germany, accounting for a third of Wolford's sales, rose 20 per cent. Net profit advanced 41 per cent to Sch175.7m. Net cash flow rose by 22 per cent to Sch245m and earnings per share by 31 per cent to Sch67. The company is proposing to increase its dividend from Sch12 to Sch15 a share.

William Hall, Zurich

Deutsche Bank sells CNI stake

Deutsche Bank is to sell its 33 per cent stake in CNI, a telecommunications venture, to avoid a conflict of interest with its prominent role in the forthcoming share issue of Deutsche Telekom. The bank will sell the holding to Mannesmann, the German industrial company which is its partner in the fixed network operation.

Deutsche Bank gave no details of the proposed sale, but confirmed a report in Der Spiegel, the weekly news magazine, which said it had decided on the move. This follows the recent decision of Deutsche Bahn, the state-owned German railway company, to sell a 49.8 per cent stake in DBKom, its telecoms operation, to Mannesmann.

Andrew Fisher, Frankfurt

Canadian pulp groups down

Two of Canada's biggest integrated pulp and paper groups posted lower second-quarter earnings because of weak pricing and temporary mill shutdowns to adjust inventories.

Abitibi-Price earned C$23m, or 26 cents a share, after a C$28m restructuring charge, down from C$68m or 80 cents a year earlier. Sales were C$643m, against C$676m. First-half profit was C$95m or C$1.07, compared with C$98m or C$1.14, on sales ahead to C$1.35bn against C$1.28bn. Abitibi is primarily a newsprint producer in Canada and the US.

Noranda made second-quarter profits of C$16m or 8 cents, down from C$48m or 33 cents a year earlier. Sales edged ahead to C$574m from C$569m. First-half profit fell to C$27m or 13 cents a share, against C$104m or 72 cents, on sales marginally ahead from C$1.13bn to C$1.14bn. Noranda's business is evenly divided between papers and building materials. First-half problems were in pulp and paper, but the inventory correction has largely been completed, consumption is growing, and second-half results should be better, the company said.

Robert Gibbens, Montreal

Exor expands in Hong Kong

Exor, the investment holding company which is part of Italy's Agnelli group, is to pay HK$210m (US$27m) for a 4.8 per cent stake in Li & Fung Ltd, one of Hong Kong's oldest trading companies. Describing the move as part of a strategic alliance with Exor, Mr Victor Fung, chairman of Li & Fung, said: "We will be seeking to expand Li & Fung's customer base in Europe with the support of this alliance."

The agreement marks the latest step in Exor's expansion strategy in Asia. The company, with net assets of US$2.6bn last year, has bought stakes in Guoco Group, Danone Asia and Pirelli Cables Asia. The Italian group has agreed to vote its shares in concert with Li & Fung (1937), the family-vehicle which remains a majority shareholder in Li & Fung Ltd.

John Ridding, Hong Kong

Rhône-Poulenc ends joint-venture talks

By David Owen in Paris

Rhône-Poulenc, the French chemicals and drugs group, appears to have suffered a fresh setback with the termination of talks on forming a joint venture in animal feed additives with Archer Daniels Midland, the US grain and food processing company.

Rhône-Poulenc said the two groups had "decided to end negotiations for a previously announced joint venture to combine their animal feed premix businesses".

Negotiations conducted after the February signing of a letter of intent to form a 50:50 joint venture had "failed to reach an accord on significant issues surrounding completion of the transaction". Negotiations had been "terminated and the terms of the letter of intent have expired".

Rhône-Poulenc declined to say what these "significant issues" were. Archer Daniels Midland recently reported a 36 per cent decline in net earnings for its fourth quarter ended June 30, as price increases in its raw commodity ingredients eroded profits.

Earlier this year, the two companies said they planned to combine their manufacturing and marketing assets, as well as their financial shareholdings in "certain pre-mix joint ventures and companies". They said the combined business represented annual sales of nearly $400m and that the complementary nature of the businesses would "better position the partners to participate in the future growth of the worldwide animal nutrition market".

Pre-mixes are blends of nutritional additives, medicinal additives and trace elements manufactured for mixing in animal feeds.

In April, Rhône-Poulenc disappointed the market by announcing a 13.5 per cent decline in first-quarter net income, attributed mainly to higher interest costs and the amortisation of goodwill following last October's £1.8bn acquisition of Fisons, the UK pharmaceuticals company.

On Friday, following the announcement of the termination of talks with Archer Daniels Midland, Rhône-Poulenc shares fell 60 centimes to FFr125.40, a smaller fall in percentage terms than the benchmark CAC-40 index.

● French municipal services conglomerate Compagnie Générale des Eaux said its Sofitam unit would sell its refrigeration equipment components operations to Carrier, a subsidiary of United Technologies of the US. Terms of the deal were not disclosed.

Real estate side lifts profits at Ayala Corp

By Edward Luce in Manila

Ayala Corp, the Philippines' largest diversified holding company, saw net profits surge by 53 per cent for the first half of 1996, driven mainly by unexpectedly good results at its real estate subsidiary, Ayala Land.

Ayala Land, which is listed separately from its parent company, posted net profits of 2.54bn pesos (US$97m), up 52 per cent on the same period in 1995. Its shares, which are trading at a record p/e of 45 – more than double the Philippine composite average – closed flat last Friday at 48.50 pesos.

The property company, 70 per cent owned by Ayala Corp, said higher than expected sales at its middle income housing sites and pre-selling of space at its four uncompleted high-rise office towers in the business district had contributed to the impressive earnings. Ayala Corp's overall net profits were 3.45bn pesos for the first half.

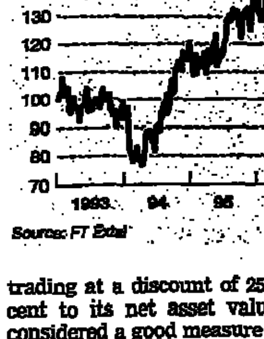
"It's difficult to find fault with Ayala Land at the moment," said Mr Colbert Nocom, an analyst at ING Barings in Manila. "It is posting bumper profits from a diversified range of low and high-end real estate projects and has managed to keep its debt: equity ratio below 20 per cent."

At a market capitalisation of 185bn pesos, Ayala Land is the largest company on the PSE. Despite its high p/e ratio, it is trading at a discount of 25 per cent to its net asset value – considered a good measure of a property company's value.

Results at Ayala Corp's other subsidiaries, including the Bank of the Philippine Islands (BPI), the country's third-largest bank which registered profits growth of 71 per cent to 1.55bn pesos, were also impressive. The merger later this year of CityTrust Banking Corp and BPI, which posted first-half loan growth of 44 per cent, is expected to give BPI a pre-eminent hold over the growing consumer finance sector.

Globe Telecom, a cellular and fixed land line telecoms joint venture with Singapore Telecom is expected to break even in 1996.

Ayala Land



Source: FT Extel

FINANCIAL TIMES

MARKETS

THIS WEEK

Global Investor / Philip Coggan

How to pick a market winner

Stock picking systems have an easily understood appeal. If one can find a set of hard and fast rules which select market winners, a lot of the anxiety can be removed from the investment process.

Efficient market theory suggests that such strategies should not work over the long run. If stocks are high-yielding, for example, that suggests the investor is incurring higher-than-average risk. But a number of studies has shown that anomalies do persist over a long period of time.

Mr Jim O'Shaughnessy, a US fund manager, conducted research showing that a portfolio of 50 stocks with the lowest price-to-sales ratios beat the market by three percentage points per annum over a 40 year period. Other strategies, such as selecting the stocks which have risen fastest over the previous 12 months, have also beaten the index.

But the trouble is that such systems, while producing brilliant results when back-tested over previous years, seem to break down when hard cash is invested. The O'Higgins theory, which finds the ten highest-yielding stocks in the Dow and selects the five with the lowest share prices, has performed well in the US.

It also seemed to work in the UK (when applied to the FT 30) but the introduction of a personal equity plan based on the system seems to have coincided with one of the method's worst performance periods.

Better luck will be needed for a new investment trust from Thornton Fund Management based on a theory of earnings momentum. It looks for small company shares where brokers have been upgrading earnings forecasts over the past three months.

Thornton did a study dating back to 1988 using stocks in the Hoare Govett Smaller Companies Index, and brokers' earnings forecasts supplied by IBES. The stocks covered were divided into sections: those where forecasts rose; those where they fell; and those where they were unchanged. The risers and fallers were further divided in half, based on the size of the change.

A "rolling portfolio" was then constructed, consisting of four sub-sets. Each quarter a new sub-set would be created and then held for a year. Gratifyingly, the companies which showed the biggest increase in earnings forecasts produced easily the best returns.

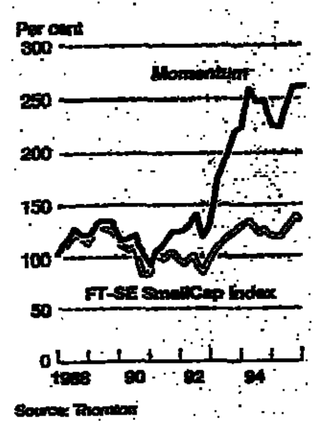
Even allowing for annual costs of 7 per cent, the "highest upgrades" portfolio returned 12.9 per cent per annum, well ahead of the 4.2 per cent recorded by the FT-SE Small Cap (excluding investment trusts) index.

Why should this discrepancy occur? Several US studies have focused on the success of stock-picking methods which use earnings momentum. Research by Professor Jeremy Siegel at the Wharton School in Philadelphia found that even investors who bought the "Nifty Fifty" – a set of stocks in the 1970s which were bid up to stratospheric price-earnings ratios on the basis of their continued earnings growth – outperformed the index over a 25 year period.

Focusing on smaller companies appears to make sense. Markets in such stocks are likely to be less efficient and it takes longer for an improved view of a company's prospects to be reflected in its share price. The Thornton system is picking up stocks where forecasts changed anything from two weeks to three months ago. The biggest element of outperformance came in the first three months after purchase. In part, this may result from other analysts catching up in response to an upgrade by the house broker.

Another factor may be that small companies get "on a roll" with a period of success in response to a new product or management change. Similarly, when news starts to turn bad for a company, it usually gets worse – the first earnings downgrade is rarely the last.

Compounded returns



Source: Thornton

Total return in local currency to 18/7/96

	% change over period					
	US	Japan	Germany	France	Italy	UK
Cash						
Week	0.10	0.01	0.06	0.07	0.18	0.11
Month	0.45	0.04	0.28	0.32	0.73	0.49
Year	5.81	0.88	4.63	6.27	11.60	7.27
Bonds 3-5 year						
Week	0.73	-0.26	0.75	0.84	-0.09	0.01
Month	1.27	-0.48	1.06	1.26	1.07	1.59
Year	4.94	1.82	9.02	11.47	21.39	10.92
Bonds 7-10 year						
Week	1.34	-0.41	1.05	1.06	-0.73	-0.09
Month	1.97	-0.72	1.98	1.86	1.19	1.39
Year	4.54	1.46	10.86	14.01	30.19	11.89
Equities						
Week	-0.1	-1.8	-2.5	-3.1	-4.0	-1.8
Month	-2.7	-3.8	-1.0	-4.1	-7.0	-1.3
Year	17.8	23.7	14.5	10.1	-1.8	12.7

Source: Cash & Bonds - Lehman Brothers. Equities-© FT/S&P Actuaries World Indices. The FT/S&P Actuaries World Indices are jointly owned by FT-SE International Limited, Goldman Sachs & Co., and Standard & Poor's.

The system is effectively a way of picking growth stocks; absolutely no valuation criteria are being applied. It may have been worked well in the 1990s when recovery, or value-based, systems have produced poor results. But there is a cycle between value and growth, and it may soon turn against the latter.

The system may also tell us something about the health of the small company sector. The number of stocks selected depends on the number of forecasts being upgraded.

A graph of the number of stocks selected fits remarkably well with the Small-Cap index. Or at least it did until recently, when upgrades have dropped but the Small-Cap index has kept rising, suggesting the UK stock market is due for a fall.

● A footnote for those of a statistical bent who will be musing about last week's turbulence in the US stock market. According to stock market historian Mr David Schwartz, in 1929, 42 trading days elapsed between the peak in the US market and the Wall Street crash; in 1987, there were 39 trading days between the peak and Black Monday. The recent high in the S&P 500 occurred on May 24; today will be the 39th trading day since then, Thursday will be the 42nd. Enjoy the week.

COMPANY RESULTS DUE

Quarterly earnings expected to fall at IBM

Quarterly earnings at International Business Machines were expected to decline on the back of falling mainframe prices in the US, declining profits in Europe and unfavourable exchange rates, industry analysts said.

IBM is expected to report on Thursday that second-quarter earnings per share fell to $2.49 against $2.97 a year earlier, according to a consensus estimate compiled by IBES from a survey of 16 analysts.

Most Wall Street analysts have cut their quarterly and full-year earnings estimates for IBM over the past month, citing rising competition in the US which has pressured margins, and the impact of the stronger dollar in translating overseas sales.

"The tone is going to be very cautious," said Mr David Takata analyst at Gruntal, who has cut his estimate to $2.39 a share from $2.74 previously.

He warned that analysts believe earnings could come in even below their revised forecasts after disappointing quarterly earnings from Motorola and Texas Instruments and a profit warning from Hewlett-Packard.

AFX News, New York

■ Exxon is expected to report earnings per share in the second quarter of $1.32 today, compared with $1.30 year earlier, with improved refining margins and higher crude oil prices offset by weakness in its petrochemical business, analysts said.

The consensus estimate was provided by the IBES tracking firm in a survey of 18 analysts, whose earnings per share forecasts ranged from $1.18-$1.40.

AFX News, New York

■ PolyGram: The world's largest music group with U2 and Elton John among its roster of artists, saw its shares falter in the run-up to last week's news that it had failed in its bid to acquire MGM, the Hollywood movie studio.

The announcement of its first-half results on Wednesday is unlikely to revive them. Analysts expect a sluggish set of figures with little change, or even a slight decline, over the net income of Fl 270m ($161m) reported for the first six months of 1995. However, PolyGram's performance is expected to improve in the second half with SBC Warburg forecasting a 12 per cent increase in net income to Fl 830m for the whole of 1996.

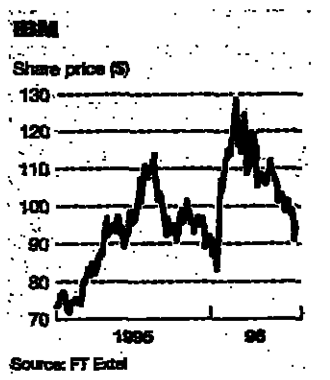
■ Philips Electronics is expected to report on Thursday net profit for the second quarter declining to Fl 321m-Fl 418m compared with Fl 583m ($364m) a year earlier, analysts said.

In the first quarter, Philips reported net profit from ordinary operations of Fl 377m with net profit, including extraordinary income of Fl 315m, of Fl 692m.

There were no extraordinaries in the 1995 second quarter.

AFX News, Amsterdam

IBM



Source: FT Extel

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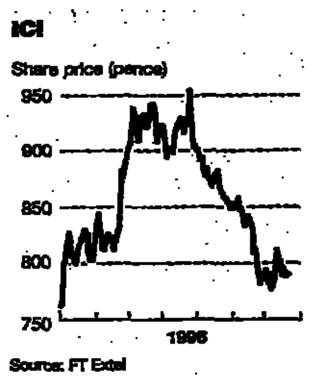


Source: FT Extel

■ Imperial Chemical Industries is expected to report a sharp drop in second-quarter earnings on Thursday. Pre-tax forecasts range from £173m to £198m ($307m), representing a drop of 30-40 per cent on the £289m achieved in the second quarter of last year. Falling prices for industrial chemicals and materials have been responsible for most of this slide. But it has been exacerbated by continuing problems in the US explosives division.

The only area expected to show some improvement, thanks to acquisitions and a traditional seasonal upturn, is paints. Analysts warn of further downgrades on full-year forecasts of £800m, unless the group can convince on the feasibility of its current cost-cutting drive.

■ SmithKline Beecham: The UK's second largest pharmaceuticals company, should reveal first-half pre-tax profits of close to £750m ($1.1bn) tomorrow. That would be an improvement of almost 14 per cent on the result for the first six months of 1995 for the company's continuing businesses. Sales should rise to £3.8bn (£3.36bn) thanks largely to growth on the company's prescription drugs.

Earnings per share should rise 10 per cent to more than 18p, with a dividend of 8p (6.4p).

■ Reuters: The UK information and transaction systems group, is expected to report interim pre-tax profits of about £335m ($519m) on Wednesday. The company, which last week launched a new generation of information systems, the 3000 series, could surprise the market with either a share buy-back or a special dividend. Returning cash to shareholders has been promised by Reuters at some stage this year. However, the company has indicated that the detailed and complex discussions it is undertaking with the Inland Revenue over the structure of the move, is likley to take some time.

■ British Telecommunications is expected on Thursday to post first-quarter pre-tax profits in the range £860m to £890m ($1.4bn) after taking out the cost of redundancies.

The figures are essentially flat compared with last year. BT has some flexibility in how it presents its numbers but the regulator's insistence on a decision on his fair trading proposals by August 2 makes a reference to the Monopolies and Mergers Commission more likely and the group is unlikely to give hostages to fortune.

■ Lex Service: The UK car dealer and contract hire group, is expected to increase interim pre-tax profits to £26.6m ($41m) compared with £22m when it reports its half-year results on Friday. The figures will benefit from the contribution of Multipart, the commercial vehicle parts distribution business the group bought for £85m last July.

Analysts will watch closely to see what progress the group has made on rationalising its car dealership network.

INTERNATIONAL EQUITIES

Bad timing for Commonwealth float

Fortune doesn't always favour the brave. The A$4bn ($3.1bn) sale of the Australian federal government's remaining 50.4 per cent stake in Commonwealth Bank was billed as the country's largest share float. Unhappily, it hit the market in a week when the All-Ordinaries Index – taking its lead in part from Wall Street – sank to a seven-month low.

Under the circumstances, both the government and its advisers made the best of a difficult job. The issue's partly-paid structure, which required investors to pay a portion in July and the remainder in November, coupled with the entitlement to full cash dividends in the meantime, was always designed to attract yield-conscious investors.

So it proved. Strong interest from foreign-based yield funds and small local investors helped ensure oversubscription, and offset a more muted response from domestic institutions. Even so, in the wake of a falling market, the shares were priced at a wary A$10.45 – with A$6 due at the outset, and the remainder in six months.

The caution proved justified. On Monday morning, the partly-paid shares (officially called "installment receipts") did their best to rally beyond the A$6 issue price. But progress was shortlived and they ended the day unchanged. On Tuesday, they sank to as little as A$5.74 at one stage, leaving some disgruntled investors. Only on Friday did a decent premium emerge with the receipts jumping 13 cents, to A$6.14. Even so, this was well below some brokers' initial hopes, pitched at about A$6.30.

This rollercoaster ride might have prompted other potential issuers to rethink listing plans. Not National Mutual, the country's second largest life insurer. The company set October 8 as the date for launching its shares on the stock market, even as Wall Street's woes were at their worst.

The October listing date will ensure that National Mutual becomes the first of Australia large life offices to complete a "demutualisation" scheme – though Colonial Mutual is ploughing down the same track and even the AMP Society is considering the option – with its market value estimated at about A$2bn.

Mr Geoff Tomlinson, National Mutual's managing director, justified this apparent boldness by the structure of the offer, saying "I don't see us as a standard IPO". Just over half the shares will be taken by France's Axa which injected capital into National Mutual last year, and the rest will be allocated to policyholders. But if they do not actively select this share alternative, the stock to which they were entitled will be pooled and sold to outside investors, and they will get cash instead.

With this process taking almost three months – policyholder letters start to go out immediately – a degree of market gyration was almost certain to be encountered. Moreover, heading for a sale at this stage saves a possible clash with Colonial Mutual in early-1997, and any risk of colliding with the A$8bn partial privatisation of Telstra, the telecommunications group owned by the federal government.

Indeed, while Australia looks set to have a fairly active new issues market, many of the likely issues are modest in size. The exception will be Optus Communications, the country's second significant telecoms group, currently owned by a mixture of local institutions, Australia's Mayne Nickless, the UK's Cable & Wireless, and BellSouth of the US.

Optus is forecast to attract a valuation of A$4bn-plus, but the number of shares on offer is likely to be constrained. Mayne Nickless will sell its 25 per cent stake, although a large part of this will be offered first to existing Mayne shareholders. Most of the other shareholders appear reluctant to give up large blocks of stock.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FT-SE International Limited and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS	FRIDAY JULY 19 1996								THURSDAY JULY 18 1996					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	%chg since 29/12/95	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 29/12/95	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (80)	195.50	2.9	187.30	133.78	151.29	164.39	-3.2	4.40	191.88	184.04	131.82	148.79	161.22	212.18	175.72	176.20
Austria (24)	178.88	2.5	171.38	122.89	138.43	136.36	6.6	2.05	179.18	171.88	123.11	138.96	138.89	198.82	169.11	197.13
Belgium (27)	210.91	0.8	202.07	144.30	163.22	159.44	5.0	4.18	209.34	200.80	143.83	162.35	159.64	216.91	186.06	198.22
Brazil (28)	181.67	31.7	174.05	124.29	140.59	336.94	36.5	1.93	176.52	169.33	121.29	136.90	327.17	189.70	129.97	139.22
Canada (120)	158.66	6.9	152.00	108.55	122.78	167.03	7.1	2.28	158.69	152.22	109.03	123.07	157.21	165.12	134.14	147.21
Denmark (30)	309.34	7.1	296.38	211.64	239.38	241.49	10.9	1.90	306.19	293.70	210.37	237.45	239.58	309.34	278.89	261.60
Finland (23)	192.18	2.7	184.12	131.48	148.72	182.39	7.0	2.74	191.08	183.29	131.29	148.19	182.03	276.11	171.73	259.07
France (96)	190.59	6.2	182.60	130.40	147.49	150.73	9.5	3.20	191.17	183.38	131.35	148.25	151.58	198.39	167.70	187.41
Germany (59)	173.10	5.8	165.84	118.43	133.95	133.95	10.0	1.85	171.82	164.82	118.06	133.25	133.25	174.36	156.66	165.53
Hong Kong (56)	421.72	8.8	404.03	288.53	326.35	418.92	8.6	3.41	416.45	399.47	286.13	322.96	413.67	451.19	348.81	369.77
Indonesia (27)	205.97	–	197.32	140.91	159.39	294.46	–	1.65	205.05	196.69	140.89	159.02	292.91	–	–	–
Ireland (16)	274.96	7.6	263.43	188.12	212.78	241.26	7.4	3.56	271.91	260.82	186.82	210.87	239.42	290.82	235.88	239.91
Italy (58)	78.44	6.4	75.15	53.67	60.70	88.67	1.5	2.50	76.35	75.16	53.83	60.76	88.98	94.53	87.22	76.43
Japan (481)	150.64	-2.8	144.32	103.06	116.57	103.06	2.0	0.74	150.71	144.56	103.55	116.88	103.55	164.88	137.75	150.48
Malaysia (107)	557.81	15.0	534.40	381.63	431.66	534.65	12.7	1.68	558.41	533.73	382.30	431.50	533.10	585.09	425.77	547.01
Mexico (18)	1167.00	12.7	1118.04	798.42	903.08	9712.43	11.3	1.37	1161.18	1113.84	797.82	900.51	9717.86	1325.65	791.99	1163.38
Netherland (19)	289.99	6.3	277.82	198.40	224.41	220.92	10.7	3.26	287.48	275.78	197.52	222.85	219.55	299.59	245.79	258.22
New Zealand (15)	80.65	1.2	77.26	55.18	62.41	61.77	-4.5	4.39	79.04	75.82	54.31	61.30	80.89	94.71	75.94	89.99
Norway (35)	250.79	8.4	240.27	171.58	194.08	217.89	9.9	2.08	247.94	237.83	170.35	192.28	216.06	259.94	222.24	239.59
Philippines (22)	211.43	–	202.56	144.65	163.62	276.01	–	0.55	209.56	201.01	143.98	162.51	273.46	–	–	–
Singapore (44)	400.45	-1.7	383.65	273.98	309.89	261.55	-1.5	1.46	395.32	378.21	271.62	306.56	256.51	465.21	355.81	387.54
South Africa (44)	351.27	-8.8	336.53	240.33	271.83	337.05	9.8	2.15	346.29	332.17	237.92	268.55	332.31	437.76	339.18	350.29
Spain (37)	178.04	7.8	170.57	121.81	137.77	169.41	11.6	3.44	176.42	169.23	121.22	136.82	166.80	183.85	145.16	162.65
Sweden (48)	345.64	10.8	331.14	236.48	267.48	338.28	10.5	2.52	341.07	327.16	234.34	264.50	335.74	380.77	280.13	285.89
Switzerland (37)	246.09	4.3	235.77	168.37	190.44	165.60	10.2	1.80	244.78	234.78	168.17	189.82	184.99	252.34	191.24	202.75
Thailand (45)	158.78	-5.6	152.12	108.63	122.87	155.94	-5.2	2.12	158.61	152.14	108.98	123.01	155.88	193.95	148.74	172.16
United Kingdom (200)	232.71	0.9	222.94	159.21	180.08	222.94	1.3	4.20	231.33	221.89	158.94	179.40	221.89	237.48	216.52	220.04
USA (627)	259.85	3.4	248.95	177.78	201.09	259.85	3.4	2.27	261.88	251.18	179.91	203.07	261.88	276.47	224.83	224.89
Americas (793)	237.91	3.9	227.92	162.77	184.10	200.09	3.9	2.26	239.54	228.78	164.58	185.77	201.42	252.43	206.37	206.37
Europe (709)	209.19	4.1	200.41	143.12	161.88	180.57	8.3	3.13	208.04	199.56	142.94	161.34	179.99	213.30	169.33	184.22
Nordic (136)	299.88	8.7	287.30	205.17	232.07	256.79	9.9	2.40	296.41	284.32	209.56	229.87	254.99	308.61	261.13	274.73
Pacific Basin (880)	163.39	-1.1	156.54	111.79	126.44	114.04	2.4	1.20	163.06	156.41	112.04	126.46	114.19	177.01	148.66	160.90
Euro-Pacific (1589)	182.36	1.3	174.71	124.77	141.12	198.23	4.2	2.12	181.88	174.26	124.83	140.90	139.12	190.57	169.51	174.69
North America (747)	253.71	3.6	243.06	173.58	196.33	253.05	3.6	2.27	255.57	245.15	175.60	198.20	254.92	269.52	220.04	220.03
Europe Ex. UK (508)	191.19	6.0	183.17	130.81	147.96	155.58	9.1	2.56	190.18	182.49	130.67	147.49	155.20	194.85	169.65	175.70
Pacific Ex. Japan (399)	281.58	6.4	269.77	192.65	217.90	242.85	4.2	3.09	278.27	268.93	191.19	215.60	240.00	296.68	243.59	260.88
World Ex. US (1799)	183.64	1.5	175.94	125.64	142.11	143.75	4.7	2.12	182.92	175.47	125.66	141.86	149.67	191.55	167.98	175.63
World Ex. UK (2226)	204.50	2.5	195.92	139.91	158.25	172.55	4.4	1.99	204.93	196.48	140.73	158.85	173.11	213.06	185.61	187.68
World Ex. Japan (1945)	239.13	3.9	229.14	162.92	184.28	224.46	4.8	2.61	238.39	229.67	163.79	184.87	224.69	247.55	212.62	213.34
The World Index (2426)	207.00	2.3	198.31	141.62	160.18	177.17	4.1	2.19	207.19	198.74	142.35	160.69	177.82	214.95	188.49	190.50

 Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 133.22 (Local); Brazil, Thailand and Americas: Oct 31, 1994 = 180.44 (US $ Index), 164.07 (Pound Sterling) and 149.94 (Local). Indonesia and Philippines June 28, 1996 = 214.14 (US $ Index), 204.38 (Pound Sterling) and 184.40 (Local). WITH EFFECT 22/7/96: Deletions: Royal Insurance (UK) and US Healthcare (USA). Name changes: Aetna Life & Casualty to Aetna (USA) and Sun Alliance Grp to Royal & Sun Alliance Insurance Grp (UK).

MARKETS: This Week

The stock and bond markets are likely to stay on edge this week as investors concentrate on earnings and interest rates. This week will bring guidance on both.

So far, the quarterly results season has been dominated by hi-tech stocks such as Texas Instruments, which was disappointing, and Intel, which was the reverse. This week is expected to bring lower earnings from IBM. But there will also be a broader sweep of results by sector than last week, from chemicals to consumer goods.

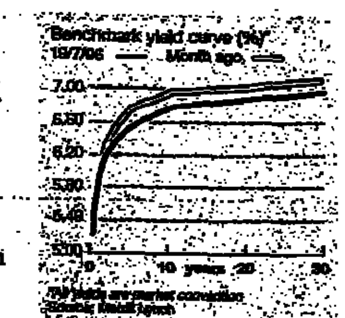
Chemical groups at the commodity end of the business, such as Dow and Union Carbide, will probably show earnings declines. Others, such as Monsanto, may be ahead. Big consumer groups such as PepsiCo, Anheuser-Busch and Colgate Palmolive are expected to show continued earnings growth.

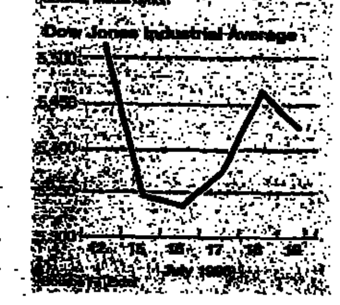
In the bond market, attention will be focused again on Mr Greenspan, who gives his Humphrey-Hawkins testimony to Congress on Tuesday following last week's appearance before the Senate banking committee. If that performance is any guide, both bulls and bears will go away convinced Mr Greenspan is on their side.

Thursday brings a flurry of statistics from the real economy: durable orders for June, expected to be flat after the previous month's rise, and sales of existing homes, expected to be down.

Tuesday and Wednesday will see large Treasury auctions. If the rash of cancelled IPOs from hi-tech companies is anything to go by, this is not the best time to be offering new stock to the markets.

The equity market, finally, will wonder whether the recent correction – 6 per cent from April's peak so far, or some 350 points – has run its course. No one is counting on it.





LONDON

UK investors may be hoping for a quiet week after the turmoil prompted by last week's volatility on Wall Street. The shock waves briefly took the FT-SE 100 index through the bottom of its recent 3,650–3,850 range but by the end of the week, order had been restored.

The disagreement over the last base rate cut between Mr Kenneth Clarke, chancellor of the exchequer, and Mr Eddie George, governor of the Bank of England, was revealed last week.

As a result, this week's batch of economic statistics will be studied closely to see if the chancellor can justify a further reduction; weakness in today's CBI industrial trends survey or in Friday's second-quarter gross domestic product numbers would strengthen the chancellor's hand.

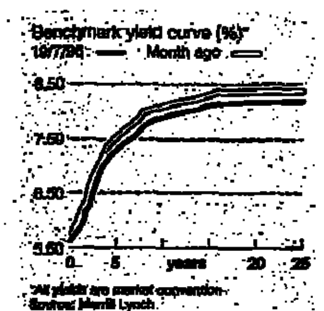
The governor, and indeed the gilts market, will be more concerned about the June retail sales figures, to be published on Wednesday.

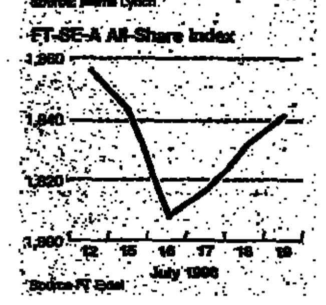
Trading statements from the quoted high street retailers indicate that consumers are spending again; the official numbers have not been quite so buoyant; this could be the time when they come into line.

Equity investors, while keeping a wary eye on the US market, will at least have some corporate news to keep their interest. The results season revives a bit, with figures from such leading companies as BT, ICI, Lloyds Abbey Life, Lloyds TSB, Reuters, SmithKline Beecham and Thorn EMI.

A host of companies also hold their annual general meetings.

Some startling news may be needed from the boardrooms to boost trading volumes, as the holiday season gets into full swing and dealers, who proved to be easily distracted by Euro 96 and Wimbledon earlier in the summer, have their eyes diverted towards the Olympics.





FRANKFURT By Andrew Fisher

With the D-Mark on the rise and the German economy faltering, interest rate cuts are in the air again. Thursday's meeting of the Bundesbank council, the last before the summer break, could well see a return to variable rate tenders for securities repurchase (repo) deals. Thus the way could be set for further declines in the 3.3 per cent rate, which has scope to go down to 3 per cent.

Expectations of such a move, with the repo possibly easing initially to around 3.25 per cent, were nourished last week by the worsening of the Ifo economic research institute's business climate index in June and a decline in the (still high) growth rate of M3.

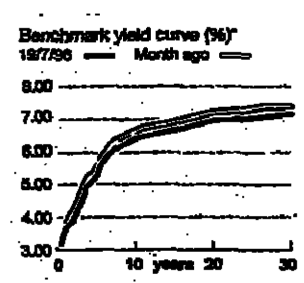
Thus, economists concluded that repo cuts were on the way. Inflation remains low, which is likely to be confirmed this week by provisional July inflation figures, so there are few worries on that score.

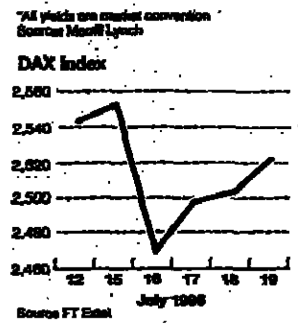
Not long ago, said J.P. Morgan, "everything pointed to a boring summer for Bundesbank watchers". But the Ifo data and slower M3 and credit growth have changed the picture. So has the renewed rise in the D-Mark, which appreciated by about 1 per cent in a week in trade-weighted terms and 3 per cent against the dollar.

With markets jittery over developments in the US, though fears of a US interest rate rise have receded, the Bundesbank wants to keep conditions calm.

The German stock market has retreated in the face of Wall Street's volatility, but has kept a steady undertone. Investors' nerves will be tested in coming weeks, though corporate profit expectations remain positive.

Wednesday sees the bank sector start the half-yearly reporting season with results from Bayerische Vereinsbank, in which Deutsche Bank has taken a 5 per cent stake.





TOKYO By Emiko Terazono

The stock market is expected to keep a wary eye on overseas investors, who last week took profits in the high-technology, car and steel sectors.

The plunge in US shares last week, prompted by earnings fears, led US funds to take profits on their Japanese holdings. Stocks with high foreign ownership, including Sony, the consumer electronics company, and Canon, the precision camera maker, were hit hardest.

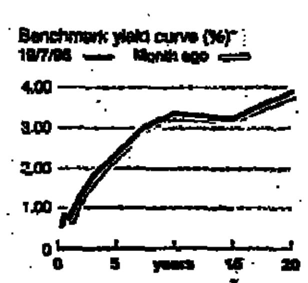
Domestic pension funds and public money are expected to provide underlying support to the Nikkei 225 around 21,406, the closing level at the fiscal year-end on March 31, preventing a sharp drop in share prices. However, active domestic buying is unlikely – due to expectations of foreign selling.

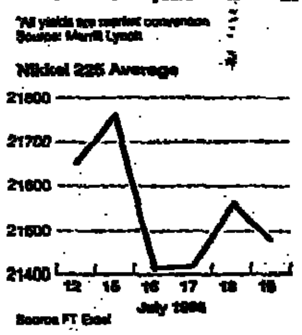
Shares are also still vulnerable to technical selling linked to arbitrage unwinding and concern prevails over interest rates, affecting the futures market. Futures-led selling could weigh on the market amid sluggish volumes.

Wariness on interest rates also continues to plague the bond and money markets. Short-term interest rates have failed to ease, in spite of monetary operations by the Bank of Japan providing ample funds last week due to active fund-raising by banks.

The overnight call rate rose to 0.5 per cent, level with the official discount rate at one point last week. Concern over long-term interest rates has prompted financial institutions to focus on the short end for funding.

The BoJ is expected to continue to inject excess liquidity into the money markets to dispel concern over a change in monetary policy. However, a consensus is that it will implement a gradual shift in its stance after the summer, and active buying of bonds is unlikely, say traders.





Strike fears boost aluminium

After being dragged up and down, along with the other London Metal Exchange base metals contracts, by the volatile copper market, the aluminium contract could be setting out on its own this week.

The possibility of a strike at Alcan of Canada's 272,000 tonnes-a-year Kitimat smelter after the expiry of the current labour contract at midnight tomorrow was already having an effect on the price of the white metal at the end of last week.

A $12 a tonne rise on Friday left the three-month delivery position up $12 on the week at $1,485.50 a tonne.

Alcan had sought to call in a mediator to resolve the deadlocked dispute but was prevented from doing so by union leaders, who did not want mediation to prevent them from acting on their strike mandate, which comes into operation on Wednesday.

The union said the company had made no contract offer on key issues such as wages, cost-of-living adjustments, pension provisions, early retirement benefits or vacation allowances, Reuters news agency reported on Friday.

Brazilian weather will be the main focus of interest in the coffee market for the next day or two. Local weather services have been forecasting that a polar air mass will bring frost in some coffee regions this morning.

"Temperatures are expected to fall in north Parana and south-west São Paulo state to between zero and 4°C, with the chance of frosts mainly in low-lying areas," Mr Marcos Massari, of private forecasting service Somar Meteorologia, told Reuters on Friday.

However, Weather Services, the US private forecaster doubted that any significant damage would result.

● Events this week include the publication today of the International Primary Aluminium Institute's production data for June.

Also today, in Washington, the US Department of Agriculture will issue its latest Agricultural Situation and Outlook summary.

In London on Thursday, the International Grains Council publishes the July edition of its international market report.

Compiled by Michael Morgan

AMSTERDAM

The market is set for a heavy results week, with first-half figures due to be released from both Philips and Polygram, *writes John Pitt.*

Polygram comes out first, on the 24th, and analysts have pencilled in expectations of profits of around Fl 250m, which is a slight decrease on the 1995 period.

The company's problems are directly related to the fall in music profits, but analysts feel that this has already been factored into the recent share price movement and do not foresee anything dramatic happening to the price as a consequence.

Philips will suffer because of the problems being experienced in the semiconductor industry worldwide. However, the company is much more exposed to the consumer electronics market than it is to semiconductors, and the slowdown in demand throughout Europe is bound to hit the results. The shares have been languishing during the first quarter, against a strong overall market.

LISBON

Last month's successful privatisation of a 22 per cent stake in Portugal Telecom has stimulated foreign demand for Portuguese equities beyond local analysts' expectations.

The market, which fell by 4.5 per cent in 1995, has risen by 20 per cent in local currency terms, and by about 15.5 per cent in dollar terms, since the start of the year, prompting some analysts to adopt a defensive view. They argue that the market can only rise more slowly until the end of the year as hopes fade for significant further interest rate cuts.

However, strong demand from non-residents is expected for the 45 per cent of Cimpor, the country's largest cement producer, which is scheduled to be privatised in October.

Its shares have traded at record highs recently on speculation over where the government would fix the price for the sell-off. Heavy trade is also expected in the state controlled Banco de Fomento e Exterior in the run up to its privatisation later in the summer.

Lehman Brothers said in a note last week that although Portugal would be better classified as a mature European economy, rather than as an emerging market, its stockmarket has outperformed emerging market benchmark indices since the start of the year.

It says that the listing of privatised companies has enhanced valuation and growth prospects of the market as a whole, while at the same time diversified the index and increased the free float.

In the longer term, Lehman expects Lisbon to benefit as higher domestic and foreign participation increases market liquidity and trading volumes. It says the privatisation programme has encouraged Portuguese institutions to increase equity weightings, but from a very low base. This trend will accelerate as more companies are privatised and listed.

HONG KONG

With concerns of an immediate rise in interest rates calmed by Mr Alan Greenspan, US Federal Reserve chairman, on Thursday, the Hong Kong stock market is expected to be firmer this week, *writes Louise Lucas.*

Moreover, with the benchmark Hang Seng index at 10,845.30, brokers reckon there will be room for bargain hunters to move in.

However, Wall Street and the US long bond yield will continue to provide cues for trading in the colony, and further bouts of volatility are also being forecast, especially towards the end of the month when futures contracts expire.

The market is on a price earnings multiple of around 12.5 times this year's earnings and around 11 times next year's earnings, relatively cheap compared with last year's 14.2 times.

Investors are still wary of China related shares, and last week Shanghai Petrochemical – one of the biggest Hong Kong-listed China companies, or H-shares – scrapped plans to issue new scrip as its share price dived.

Bundesbank speculation set to dominate the mood

Speculation that the Bundesbank might deliver a long-awaited cut in the German securities repurchase (repo) rate at its meeting on Thursday, its last before the summer recess, is likely to dominate the mood on the foreign exchanges this week.

Some traders expect the Bundesbank to cut the repo rate by between 10 and 20 basis points from 3.30 per cent to help revive the economy.

German cost of living figures towards the end of this week are expected to show inflationary pressures remaining subdued this month.

Along with data on Friday which showed M3 money supply eased slightly last month, these figures should strengthen the case for a monetary easing.

A cut in the repo rate is likely to provide some support for the dollar, which ended on a weak note last week despite reassuring comments on inflation by Mr Alan Greenspan, the Federal Reserve chairman.

The US currency slipped amid speculation of an imminent rise in Japanese interest rates but expectations of a German rate cut might provide higher yielding European currencies such as the Italian lira and the Spanish peseta with greater support.

They lost out last week against the D-Mark as the dollar weakened. But a cut in German interest rates, which could signal a decline in the D-Mark, might restore some stability to them.

Italian consumer price inflation, due today, could bolster expectations of a cut in Italian interest rates.

In the UK, a slew of economic data – including the Confederation of British Industry's quarterly survey and retail sales figures for June – will provide the latest snapshot of economic activity.

The pound weakened last week following confirmation that the chancellor cut interest rates last month against the advice of the Bank of England and as the dollar fell.

Sterling may weaken further if investors suspect Mr Clarke will push for another rate cut in an attempt to deliver faster growth ahead of the election.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
News Corp (Australia)	New World Communications (US)	Broadcasting	$2.5bn	Renews Fox momentum
Rewe (Germany)	Billa (Austria)	Retailing	est $935m	Could be Austria's biggest
Schering (Germany)	Leiras (Finland)	Pharmaceuticals	$310m	Renews restructuring
Sema Group (UK/France)	Syntax (Italy)	Computer services	$100m	Funded via rights
Getinge (Sweden)	MDT Corp (US)	Healthcare equipment	$37m	Increased tender offer
BTR (UK)	Vogt Valves (US)	Valves	$31m	Counter to recent trend
Inmet Mining/Rio Algom (Canada)	Centromin (Peru)	Mining	$20m	$2.5bn investment promised
Siebe (UK)	Controlli (Italy)	Electronic controls	$14.6m	Cash buy
Peek (UK)	Unit of Kemp & Lauritzen (Denmark)	Traffic controls	$2.2m	Scandinavian expansion
Kirch (Germany)	Telepiu (Italy)	Broadcasting	n/a	Stake now 57%

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, July 19, 1996. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	7350.15	4750.00	3191.13	4388.60
Albania	(Lek)	153.657	99.3000	66.7115	91.7448
Algeria	(Dinar)	85.7972	55.4460	37.2496	51.2274
Andorra	(French Fr)	7.8013	5.0417	3.3871	4.6581
	(Sp Peseta)	194.355	125.605	84.3836	116.048
Angola	(Read Kwanza)(1)	49182.8	31784.0	21353.0	29365.7
Antigua	(E Carib $)	4.1780	2.7000	1.8139	2.4946
Argentina	(Peso)	1.5452	0.9986	0.6709	0.9226
Armenia	(Dram)	634.158o	409.820	275.324	378.639
Aruba	(Florin)	2.7699	1.7900	1.2026	1.6538
Australia	(Aus $)	1.9584	1.2642	0.8493	1.1680
Austria	(Schilling)	16.2080	10.4747	7.0371	9.6777
Azerbaijan	(Manat)	6731.19o	4350.00	2922.41	4019.08
Azores	(Port Escudo)	236.822	153.050	102.822	141.405
Bahamas	(Bahama $)	1.5474	1	0.6718	0.9239
Bahrain	(Dinar)	0.5834	0.3770	0.2533	0.3483
Balearic Is	(Sp Peseta)	194.355	125.605	84.3836	116.048
Bangladesh	(Taka)	64.1377	41.4500	27.8468	38.2963
Barbados	(Barb $)	3.1123	2.0113	1.3512	1.8583
Belarus	(Rouble)	24201.3o	15640.0	10507.2	14450.0
Belgium	(Belg Fr)	47.4325	30.6540	20.5939	28.3217
Belize	(B $)	3.0948	2.0000	1.3436	1.8478
Benin	(CFA Fr)	780.130	504.170	338.710	465.811
Bermuda	(Bermudian $)	1.5474	1	0.6718	0.9239
Bhutan	(Ngultrum)	55.0858	35.6000	23.9167	32.8914
Bolivia	(Boliviano)	7.8760	5.0900	3.4195	4.7027
Botswana	(Pula)	5.2016	3.3614	2.2582	3.1055
Brazil	(Real)	1.5597	1.0079	0.6799	0.9309
Brunei	(Brunei $)	2.1931	1.4173	0.9522	1.3095
Bulgaria	(Lev)	301.124	194.600	130.736	179.794
Burkina Faso	(CFA Fr)	780.130	504.170	338.710	465.811
Burma	(Kyat)	9.0633	5.8571	3.9349	5.4115
Burundi	(Burundi Fr)	489.336	316.230	212.449	292.170
Cambodia	(Riel)	3559.02	2300.00	1545.18	2125.01
Cameroon	(CFA Fr)	780.130	504.170	338.710	465.811
Canada	(Canadian $)	2.1142	1.3663	0.9182	1.2628
Canary Is	(Sp Peseta)	194.355	125.605	84.3836	116.048
Cp. Verde	(CV Escudo)	128.388	82.9700	55.7407	76.6573
Cayman Is	(CI $)	1.3170	0.8511	0.5718	0.7864
Cent. Afr. Rep	(CFA Fr)	780.130	504.170	338.710	465.811
Chad	(CFA Fr)	780.130	504.170	338.710	465.811
Chile	(Chilean Peso)	634.855	410.360	275.680	379.129
China	(Yuan)	12.8885	8.3152	5.5863	7.6825
Colombia	(Col Peso)	1642.05	1061.20	712.933	980.459
Comoros	(Fr)	586.694	379.148	254.719	350.301
Congo	(CFA Fr)	780.130	504.170	338.710	465.811
Costa Rica	(Colon)	323.258	208.910	140.349	193.015
Côte d'Ivoire	(CFA Fr)	780.130	504.170	338.710	465.811
Croatia	(Kuna)	8.2035	5.3015	3.5616	4.8981
Cuba	(Cuban Peso)	1.5474	1	0.6718	0.9239
Cyprus	(Cyprus £)	0.7135	0.4611	0.3098	0.4260
Czech Rep.	(Koruna)	41.5232	26.8350	18.0282	24.7933
Denmark	(Danish Krone)	8.8816	5.7400	3.8562	5.3033
Djibouti Rep	(Djib Fr)	247.594	160.000	107.491	147.827
Dominica	(E Carib $)	4.1780	2.7000	1.8139	2.4946
Dominican Rep	(D Peso)	21.5404	13.9650	9.3954	12.9210
Ecuador	(Sucre)	4895.98o	3164.00	2125.63	2923.27
	(Sucre)	4868.12o	3146.00	2113.54	2906.64
Egypt	(Egyptian £)	5.2612	3.4000	2.2842	3.1413
El Salvador	(Colon)	13.5475	8.7550	5.8818	8.0889
Equat'l Guinea	(CFA Fr)	780.130	504.170	338.710	465.811
Estonia	(Kroon)	18.4836	11.9320	8.0161	11.0242
Ethiopia	(Ethiopian Birr)	8.9749	5.8000	3.8966	5.3587
Falkland Is	(Falk £)	1	0.6463	0.4342	0.5971
Faroe Is	(Danish Krone)	8.8818	5.7400	3.8562	5.3033
Fiji Is	(Fiji $)	2.1657	1.3996	0.9403	1.2931
Finland	(Markka)	6.9976	4.5223	3.0382	4.1782
France	(Fr)	7.8013	5.0417	3.3871	4.6581
Fr. Cty/Africa	(CFA Fr)	780.130	504.170	338.710	465.811
Fr. Guiana	(Local Fr)	7.8013	5.0417	3.3871	4.6581
Fr. Pacific Is	(CFP Fr)	142.229	91.9145	61.7496	84.9212
Gabon	(CFA Fr)	780.130	504.170	338.710	465.811
Gambia	(Dalasi)	15.1645	9.8000	6.5838	9.0544
Germany	(D-Mark)	2.3032	1.4885	1	1.3752
Ghana	(Cedi)	2553.21	1650.00	1108.50	1524.48
Gibraltar	(Gib £)	1	0.6463	0.4342	0.5971
Greece	(Drachma)	364.658	235.665	158.324	217.735
Greenland	(Danish Krone)	8.8818	5.7400	3.8562	5.3033
Grenada	(E Carib $)	4.1780	2.7000	1.8139	2.4946
Guadaloupe	(Local Fr)	7.8013	5.0417	3.3871	4.6581
Guam	(US $)	1.5474	1	0.6718	0.9239
Guatemala	(Quetzal)	9.4354	6.0976	4.0965	5.6337
Guinea	(Fr)	1542.75	997.000	669.802	921.144
Guinea-Bissau	(Peso)	27909.9	18036.0	12116.9	16663.7
Guyana	(Guyanese $)	214.934	138.900	93.3154	128.332
Haiti	(Gourde)	23.9847	15.5000	10.4132	14.3207
Honduras	(Lempira)	18.1201	11.7100	7.8670	10.8191
Hong Kong	(HK $)	11.9723	7.7373	5.1981	7.1488
Hungary	(Forint)	230.764	149.135	100.192	137.785
Iceland	(Icelandic Krona)	102.871	66.4800	44.6624	61.4219
India	(Indian Rupee)	55.0858	35.6000	23.9167	32.8914
Indonesia	(Rupiah)	3606.10	2330.50	1565.67	2153.19
Iran	(Rial)	4642.20u	3000.00	2015.45	2771.75
Iraq	(Iraqi Dinar)	0.4811o	0.3109	0.2089	0.2873
Iraq	(Iraqi Dinar)	1547.40m	1000.00	671.817	923.916
Irish Rep	(Punt)	0.9635	0.6227	0.4183	0.5753
Israel	(Shekel)	4.9204	3.1799	2.1363	2.9380
Italy	(Lira)	2342.05	1513.59	1016.86	1398.43
Jamaica	(Jamaican $)	52.6116	34.0000	22.8418	31.4131
Japan	(Yen)	167.478	108.235	72.7141	100
Jordan	(Jordanian Dinar)	1.0983	0.7098	0.4769	0.6558
Kazakhstan	(Tenge)	104.419	67.4800	45.3342	62.3458
Kenya	(Kenya Shilling)	88.7434	57.3500	38.5287	52.9868
Kiribati	(Australian $)	1.9584	1.2642	0.8493	1.1680
Korea North	(Won)	3.3269	2.1500	1.4444	1.9864
Korea South	(Won)	1259.82	814.050	546.883	752.114
Kuwait	(Kuwaiti Dinar)	0.4637	0.2997	0.2013	0.2769
Laos	(New Kip)	1423.81	920.000	618.072	850.002
Latvia	(Lats)	0.8492	0.5449	0.3661	0.5035
Lebanon	(Lebanese £)	2426.25	1568.00	1053.41	1448.70
Lesotho	(Maluti)	6.7929	4.3900	2.9493	4.0560
Liberia	(Liberian $)	1.5474	1	0.6718	0.9239
Libya	(Libyan Dinar)	0.5501	0.3555	0.2388	0.3285
Liechtenstein	(Swiss Fr)	1.8824	1.2165	0.8173	1.1239
Lithuania	(Litas)	6.1896	4.0000	2.6873	3.6957
Luxembourg	(Lux Fr)	47.4325	30.6540	20.5939	28.3217
Macao	(Pataca)	12.3678	7.9928	5.3696	7.3845
Macedonia	(Denar)	62.6628	40.4952	27.2054	37.4142
Madagascar	(MG Fr)	5880.12	3800.00	2552.91	3510.89
Madeira	(Port Escudo)	236.822	153.050	102.822	141.405
Malawi	(Kwacha)	23.7294	15.3350	10.3023	14.1683
Malaysia	(Ringgit)	3.8509	2.4887	1.6720	2.2993
Maldive Is	(Rufiya)	18.2139	11.7700	7.9073	10.8745
Mali Rep	(CFA Fr)	780.130	504.170	338.710	465.811
Malta	(Maltese Lira)	0.5551	0.3587	0.2410	0.3314
Martinique	(Local Fr)	7.8013	5.0417	3.3871	4.6581
Mauritania	(Ouguiya)	212.087	137.060	92.0783	126.632
Mauritius	(Maur Rupee)	30.9471	20.0000	13.4363	18.4783
Mexico	(Mexican Peso)	11.7765	7.6120	5.1139	7.0326
Miquelon	(Local Fr)	7.8013	5.0417	3.3871	4.6581
Moldova	(Leu)	7.2186	4.6650	3.1340	4.3101
Monaco	(French Fr)	7.8013	5.0417	3.3871	4.6581
Mongolia	(Tugrik)	722.128	466.670	313.517	431.164
Montserrat	(E Carib $)	4.1780	2.7000	1.8139	2.4946
Morocco	(Dirham)	13.3835	8.6348	5.8010	7.9778
Mozambique	(Metical)	17236.5	11148.5	7484.38	10292.9
Namibia	(S A Rand)	6.7929	4.3900	2.9493	4.0560
Nauru Is	(Australian $)	1.9584	1.2642	0.8493	1.1680
Nepal	(Nepalese Rupee)	86.6931	56.0250	37.6388	51.7624
Netherlands	(Guilder)	2.5927	1.6691	1.1213	1.5421
N'nd Antilles	(A/Guilder)	2.7699	1.7900	1.2026	1.6538
New Zealand	(NZ $)	2.2321	1.4424	0.9690	1.3326
Nicaragua	(Gold Cordoba)	13.0870	8.4574	5.6818	7.8139
Niger Rep	(CFA Fr)	780.130	504.170	338.710	465.811
Nigeria	(Naira)	34.0428o	22.0000	14.7800	20.3262
	(Naira)	124.717m	80.6000	54.1485	74.4678
Norway	(Nor. Krone)	9.9043	6.4006	4.3002	5.9138
Oman	(Rial Omani)	0.5958	0.3850	0.2586	0.3557
Pakistan	(Pak. Rupee)	54.4896	35.2145	23.6579	32.5355
Panama	(Balboa)	1.5474	1	0.6718	0.9238
Papua New Guinea	(Kina)	1.9793	1.2791	0.8593	1.1818
Paraguay	(Guarani)	3172.17	2050.00	1377.23	1894.03
Peru	(New Sol)	3.7740	2.4390	1.6386	2.2534
Philippines	(Peso)	40.5329	26.1950	17.5988	24.2020
Pitcairn Is	(£ Sterling)	1	0.6463	0.4342	0.5971
	(NZ $)	2.2321	1.4424	0.9690	1.3326
Poland	(Zloty)	4.1885	2.7075	1.8189	2.5015
Portugal	(Escudo)	236.822	153.050	102.822	141.409
Puerto Rico	(US $)	1.5474	1	0.6718	0.9239
Qatar	(Riyal)	5.6333	3.6405	2.4457	3.3635
Reunion Is. de la	(F/Fr)	7.8013	5.0417	3.3871	4.6581
Romania	(Leu)	4750.52	3070.00	2062.48	2836.42
Russia	(Rouble)	7985.93m	5187.50	3471.62	4774.33
Rwanda	(Fr)	340.426	220.000	147.800	203.261
St Christopher	(E Carib $)	4.1780	2.7000	1.8139	2.4946
St Helena	(£)	1	0.6463	0.4342	0.5971
St Lucia	(E Carib $)	4.1780	2.7000	1.8139	2.4946
St Pierre	(French Fr)	7.8013	5.0417	3.3871	4.6581
St Vincent	(E Carib $)	4.1780	2.7000	1.8139	2.4946
San Marino	(Italian Lira)	2342.05	1513.59	1016.86	1398.43
Sao Tome	(Dobra)	3690.75	2385.13	1602.37	2203.66
Saudi Arabia	(Riyal)	5.8035	3.7506	2.5197	3.4652
Senegal	(CFA Fr)	780.130	504.170	338.710	465.811
Seychelles	(Rupee)	7.7146	4.9855	3.3494	4.6062
Sierra Leone	(Leone)	1323.03	855.000	574.404	789.948
Singapore	($)	2.1931	1.4173	0.9522	1.3095
Slovakia	(Koruna)	47.1598	30.4770	20.4750	28.1582
Slovenia	(Tolar)	205.831	133.017	89.3634	122.897
Solomon Is	($)	5.4972	3.5525	2.3866	3.2822
Somali Rep	(Shilling)	4054.19	2620.00	1760.16	2420.66
South Africa	(Rand)	6.7929	4.3900	2.9493	4.0560
Spain	(Peseta)	194.355	125.605	84.3836	116.048
Spanish Ports in N Africa	(Sp Peseta)	194.355	125.605	84.3836	116.048
Sri Lanka	(Rupee)	85.7000	55.3850	37.2086	51.1711
Sudan Rep	(Dinar)	215.069	139.000	93.3826	128.424
Surinam	(Guilder)	634.434	410.000	275.445	378.805
Swaziland	(Lilangeni)	6.7929	4.3900	2.9493	4.0560
Sweden	(Krona)	10.2297	6.6111	4.4415	6.1081
Switzerland	(Fr)	1.8824	1.2165	0.8173	1.1239
Syria	(£)	64.9135	41.9500	28.1827	38.7583
Taiwan	($)	42.6366	27.5550	18.5126	25.4594
Tanzania	(Shilling)	897.469	580.000	389.654	535.871
Thailand	(Baht)	39.1557	25.3050	17.0003	23.3797
Togo Rep	(CFA Fr)	780.130	504.170	338.710	465.811
Tonga Is	(Pa'anga)	1.9584	1.2642	0.8493	1.1680
Trinidad/Tobago	($)	8.8744	5.7350	3.8529	5.2987
Tunisia	(Dinar)	1.4885	0.9619	0.6462	0.8887
Turkey	(Lira)	129374.0	83610.0	56170.5	77248.8
Turks & Caicos	(US $)	1.5474	1	0.6718	0.9239
Tuvalu	(Australian $)	1.9584	1.2642	0.8493	1.1680
Uganda	(New Shilling)	1621.86	1048.00	704.065	968.264
Ukraine	(Karbovanets)	275282.5	177900.0	119516.3	164364.6
UAE	(Dirham)	5.6834	3.6730	2.4676	3.3935
United Kingdom	(£)	1	0.6463	0.4342	0.5971
United States	(US $)	1.5474	1	0.6718	0.9239
Uruguay	(Peso Uruguayo)	12.5340	8.1000	5.4417	7.4837
Vanuatu	(Vatu)	171.841	111.055	74.6087	102.605
Vatican	(Lira)	2342.05	1513.59	1016.86	1398.43
Venezuela	(Bolivar)(2)	728.330v	470.695	316.221	434.882
Vietnam	(Dong)	17050.8	11019.0	7402.75	10180.6
Virgin Is-British	(US $)	1.5474	1	0.6718	0.9239
Virgin Is-US	(US $)	1.5474	1	0.6718	0.9239
Western Samoa	(Tala)	3.7843	2.4456	1.6430	2.2595
Yemen (Rep of)	(Rial)	216.638r	140.000	94.0544	129.348
Yugoslavia	(New Dinar)	7.7559	5.0122	3.3673	4.6309
Zaire Rep	(Zaire)	65634.0	42508.5	28625.8	39367.8
Zambia	(Kwacha)	1972.94	1275.00	856.567	1177.99
Zimbabwe	($)	15.3024	9.8894	6.6439	9.1370

Special Drawing Rights July 18, 1996 Utd Kingdom £0.941656 Utd States $1.45362 Germany DM2.17055 Japan Y158.041 European Currency Unit Rates July 18, 1996 Utd Kingdom £0.826754 Utd States $1.27933 Germany DM1.90790 Japan Y138.443

Abbreviations: (a) Free rate; (m) Market rate; (o) Official rate; (p) Parallel rate; (t) Tourist rate (u) Currency fixed against the US Dollar (v) Floating rate (1) Angolan Readjusted Kwanza devalued on 4/3/96. (2) Two tier rate replaced by floating Venezuelan Bolivar 22/4/96; Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre, Enquiries: 0171 634 4365. To obtain a copy of this table by Fax from the Cityline service dial 0891 437001. Calls charged at 39p/minute cheap rate, 49p/minute at all other times. Friday, July 19, 1996

EMERGING MARKETS By William Barnes

Bangkok beaten but unbowed

Do not be surprised if second-quarter earnings figures are released late in Thailand this year: when profits are going to be bad, companies can delay until an avalanche of results has to hit the market.

This is what happened in May, when lousy first-quarter earnings knocked the remaining wind out of an already weakened market: companies sought safety in numbers by releasing the bulk of the results over just two days.

The Thai stock market has been beaten like a gong with bad news this year: the Stock Exchange of Thailand index has fallen some 100 points, or 8 per cent, since the beginning of this year.

So no-one expects to be nicely surprised by Thai second-quarter earnings; whether they arrive in the next two weeks or – late – in August.

"They'll be pretty horrible. Earnings growth expectations have taken a beating and I think they are going to take another one," said Mr Russell Kopp, head of research at Crosby Research in Bangkok.

This is a very different tune to the one many investors were playing in January, when they looked forward to hefty flows of money from the US pushing prices skywards to the accompaniment of robust earnings.

When some US money started nibbling at Thai shares in the New Year there was a rush of optimism that after a terrible 1995 – when it had been the region's worst performer after Taiwan – the Thai market's luck had turned.

"The savvy boys were saying 'We're very bright and we are going to buy before the Americans pile in,'" said Mr Kopp. "Unfortunately, the Americans didn't buy..."

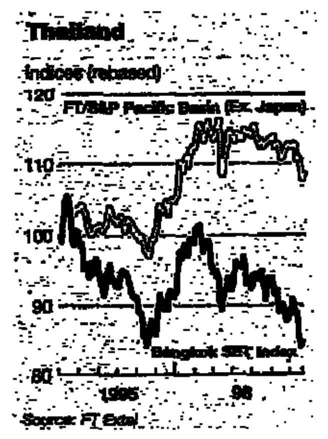
The excitement quickly fizzled out when, by February, it was clear no liquidity-driven rally was in the offing. Two months later the market was hit by disastrous second-quarter results: the SET index fell below 1,300, after climbing to 1,420 from 1,289 at the beginning of the year.

In the ensuing weeks nerves about the oversupplied property market helped bring the index down to 1,250. Recently worries about second-quarter earnings have pushed it even further, to around 1,180.

Quite why so many people thought earnings would be so good this year is a mystery; at the start of the year the consensus earnings growth forecast was over 20 per cent.

Many forecasts appear to have been caught flat-footed by the length of time the central bank has kept money tight. Though the Bank of Thailand's action has been justified by the need to cool the economy, it hit business when exports were slowing in the face of declining global demand.

Economic growth could dip below 8 per cent this year for the first time this decade. Exports climbed only 5.9 per cent in the first five months compared with a full-year target of 18 per cent.



But with the current account deficit threatening to go beyond the record deficit of 8.1 per cent of GDP in 1995, and consumer price inflation still looking strong after last year's 5.8 per cent increase, the Bank of Thailand delayed easing its policy until June – after marked signs of a slowdown.

"Basically, I've given up on earnings growth this year – it will be no more than 8 per cent," said Mr Sriyan Pietersz, strategist with the Nomura Research Institute in Bangkok. But he is optimistic for the next 12 months because he thinks earnings will recover with the help of a modest decline in interest rates of up to 150 basis points.

Investors already have niggling fears for the Thai economy's ability to move up the technological ladder to fend off competition from low-cost exporters like China and Indonesia. Unfortunately, the market tends to focus on the pain, not the view that this is a necessary adjustment.

The seven-party coalition of prime minister Mr Banharn Silpa-archa never promised much economic vision when it came to power 13 months ago – but it could hardly have been less helpful. Since Christmas, the founding chief of the Securities and Exchange Commission, a deputy finance minister, the finance minister himself, and, recently, the Bank of Thailand governor, have all been sacked.

The government, and the central bank governor, allowed prominent politicians and executives of the country's eighth biggest bank, the Bangkok Bank of Commerce, to strip it of so much money it went bankrupt. This could cost the country US$2bn; it has already cost the Bank of Thailand a chunk of its reputation for disinterested competence.

"The constant scandals and quarterly reshuffles are not conducive to massive rallies on the market," said one senior Thai stockbroker. The good news – for the market – is that internal rivalries are expected to cause the coalition to explode within a few months.

Some brokers now expect the sort of post-election rally that greeted Mr Chuan Leekpai, the reforming prime minister, in 1992 and hope declining interest rates and prospects of political change could tempt Thailand's important retail investors into the market.

This may be optimistic, for retail investors have been badly hurt by the forced sales of leveraged positions. Foreign investors may be needed to spring the next rally – perhaps finally persuaded to abandon the pricey American market.

If foreign funds do start picking at the $140bn Thai market, sentiment could switch around quickly. For as Mr Graham Catterwell, the head of equities at Deutsche Morgan Grenfell pointed out: "Thailand's a manic-depressive market – when it's down it's the end of the world and everything's going to zero. And when it's up nothing can go wrong."

ING BARING SECURITIES EMERGING MARKETS INDICES

Index	19/7/96	Week on week movement Actual	Percent	Month on month movement Actual	Percent	Year to date movement Actual	Percent
World (431)	159.72	-2.03	-1.26	-2.60	-1.60	+12.16	+8.24
Latin America							
Argentina (22)	94.45	-3.32	-3.40	-6.05	-6.02	+1.68	+1.81
Brazil (23)	*236.00*	*-12.13*	*-4.89*	*+5.70*	*+2.48*	*+49.90*	*+26.82*
Chile (16)	194.24	-4.46	-2.25	+2.95	+1.54	-1.43	-0.73
Colombia (14)	162.10	-3.67	-2.21	-6.60	-3.91	-2.14	-1.31
Mexico (24)	76.36	+0.23	+0.30	-4.69	-5.58	+5.77	+7.84
Peru(13)	*1,152.13*	*-9.07*	*-0.78*	*+85.07*	*+7.97*	*+83.18*	*+7.78*
Latin America (112)	138.29	-3.91	-2.75	-0.91	-0.65	+15.14	+12.30
Europe							
Greece (18)	110.31	+0.25	+0.22	+3.06	+2.86	+12.34	+12.59
Portugal (20)	*136.01*	*+2.86*	*+2.15*	*+3.97*	*+3.00*	*+19.55*	*+16.79*
Turkey (25)	104.46	-10.51	-9.14	-13.12	-11.16	+21.66	+26.16
South Africa (30)	143.18	+1.02	+0.72	-3.80	-2.58	-10.20	-6.65
Europe (134)	122.08	-0.08	-0.06	-2.21	-1.78	+0.54	+0.45
Asia							
China (24)	44.90	+0.79	+1.80	-0.33	-0.74	+4.58	+11.35
Indonesia (31)	142.42	+0.50	+0.35	-0.90	-0.63	+3.77	+2.72
Korea (23)	112.15	+0.40	+0.36	-6.35	-5.36	-24.76	-18.08
Malaysia (23)	*255.12*	*-1.96*	*-0.76*	*-1.94*	*-0.76*	*+27.75*	*+12.21*
Pakistan (14)	84.34	-5.29	-5.91	-7.09	-7.75	+10.74	+14.60
Philippines (14)	333.04	-0.01	-0.00	+5.91	+1.81	+73.87	+28.50
Thailand (25)	224.45	-4.76	-2.06	-17.78	-7.34	-27.43	-10.89
Taiwan (31)	*172.35*	*+0.02*	*+0.01*	*-3.91*	*-2.22*	*-41.52*	*-31.74*
Asia (185)	220.40	-1.01	-0.45	-5.33	-2.36	-17.36	-8.55

All indices in $ terms. January 7th 1992=100. Source: ING Baring Securities.

Volatility gives greater impetus to hedge funds

Estimating the size of the hedge fund industry is no easy task, and the figures show wide divergences. One estimate published last week, however, dwarfs most previous guesses.

"Hedge funds worldwide account for more than $300bn in actively managed assets", said Van Hedge Fund Advisors, a US investment advisory company.

Aiming to dispel what he believes to be unfounded fears, Mr George Van, chairman, also said that hedge funds offer better risk/reward potential than other investments.

"Investors are becoming more and more aware that hedge funds have produced better historical returns, with less risk of loss, than have mutual funds," he said.

Mr Albert Hallac, president of fund managers Weston Capital Management, concurs: "For a given level of risk, hedge funds offer much higher returns" than other investments, he said.

This added safety, experts say, is a result of the nature of hedge funds' activities: the combination of long and short positions ultimately amounts to greater diversification and less market risk.

Van's study also shows that the number of hedge funds in operation has reached about 4,700, up from some 1,400 in 1988. This number has grown by around 20 per cent every year since 1988, while equity under management with the funds grew at a net annual rate of 18.5 per cent.

"Recent market volatility has prompted greater interest in the hedge fund industry," said Mr Mikhail Kimbarovsky, head of research for Hedge Fund Research, a Chicago-based firm that tracks the industry.

Both Mr Hallac and Mr Van said hedge funds are increasingly seen by investors as an alternative to mutual funds, although this attitude remains confined to the most sophisticated investors.

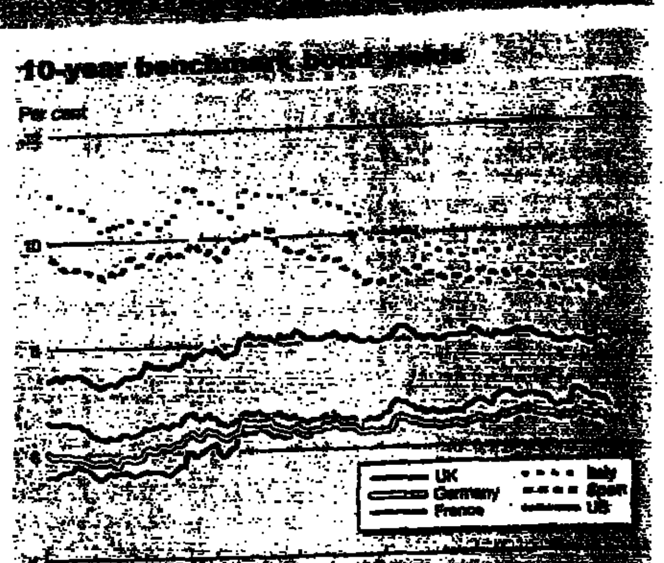
While confirming that hedge funds have seen significant interest in recent months, Mr Kimbarovsky feels the estimate of $300bn is excessive.

"There is a lot of double-counting in the industry, which inflates overall asset figures," he said. He puts the total assets under management for hedge funds at closer to $150bn–$170bn.

However, Mr Van said that double-counting was eliminated from his survey by deducting the amounts invested in "funds of funds" – funds that invest in hedge funds managed by other firms.

In any case, the growth of hedge funds shows no sign of slowing. The main threat to the industry, in the short term, is most likely to come from within. Mr Hallac says hedge funds could become "victims of their own success... When a hedge fund becomes too large, it risks becoming less dynamic and flexible", jeopardising its performance.

10-year benchmark yields



	US	Japan	Germany	France	Italy
Discount	[illegible]	0.50	2.50	[illegible]	[illegible]
Overnight	[illegible]	[illegible]	3.25	[illegible]	[illegible]
Three month	[illegible]	[illegible]	3.26	[illegible]	[illegible]
One year	[illegible]	[illegible]	3.49	[illegible]	[illegible]
Five year	[illegible]	2.40	5.27	[illegible]	[illegible]
Ten year	[illegible]	[illegible]	6.40	[illegible]	[illegible]

Bank of America invades China

By Louise Lucas in Hong Kong

Bank of America is launching itself into the equity markets, having chalked up its first underwriting transaction. Far from sticking to home ground, the San Francisco-based bank made its debut on one of China's volatile B-share markets – those theoretically reserved for foreign investors but increasingly being bought by domestic Chinese.

The HK$477.9m issue, on behalf of the Guangdong Provincial Expressway Development Company, was some three times subscribed, despite being the highest priced B-share to come to market this year and suffering from poor timing: the offer coincided not only with a period of turbulence on the Chinese markets, but also with two Hong Kong-backed infrastructure issues.

Mr Pang Chung-min, senior vice-president and country manager (China) with Bank of America, conceded that usually a bank would try to start on less risky territory, but a combination of contacts and a belief in the toll road company's quality conspired to make the bank's first foray into the equity markets in Shenzhen.

Mr Pang has worked on the deal, initially for a private placement, since arriving at Bank of America in April last year. He reckons the bank will make a net profit out of its role as lead global co-ordinator "simply because our costs are so low; we've built up the infrastructure as we have done the deal".

The company and its sponsors met with a degree of scepticism during the roadshow, which took in Edinburgh, London, Singapore and Hong Kong, partly due to the problems of China's South China superhighway being built by Hong Kong-listed Hopewell Holdings, and partly to a general lack of interest in the B-share markets.

While brokers estimate up to 60 per cent of the B-shares on the Shenzhen exchange are held by domestic Chinese, Mr Pang says at least 85 per cent of this issue has gone overseas.

Like most commercial banks, Bank of America started to look at opportunities in securities as a means of boosting non-interest income. While this represents the bank's debut, it has a vehicle for securities business in the US, BA Securities, inherited from the merger with Security Pacific in 1992.

The plan is to look for further underwriting opportunities, in Asia and elsewhere. "To have succeeded in a difficult time, in a foreign market, should convince people [of our prowess]," said Mr Pang.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
Sanshin Electronics Co(a)(b)◊	130	Jul 2000	3.00	100.00	-	-	Daiwa Europe
BA MCCT, 1996-A, Cls A(b)‡	427.5	Jul 2001	(b1,2)	100.00	-	-	Lehman Brothers
United Kingdom	2bn	Jul 2001	6.75	99.637R	6.838	+5(6¾%-01)	Goldman/SBC Warburg
Glocredit Bank(c)‡	100	Jul 2006	(c1)	99.902R	-	-	Morgan Stanley Intl
Unibanco(f)	100	Sep 1999	9.375§	99.732R	9.458	+290(7¼%-99)	Citibank International
World Bank(d)	50	Jul 1999	6.70#	100.00	6.700	-	Salomon Brothers Intl
Banco BMG	50	Jul 1999	12.25#	99.748	12.36	+590(6¾%-99)	ANZ Banking Group
TAR 1996-A, Class A(j)	722.335	Nov 1997	6.30	99.9975R	6.487	+39(6⅝%-97)	Goldman/Lehman Bros
Cemex(s)	300	Jul 2000	10.75#	99.852R	10.89	+425(i)	Goldman Sachs Intl
Cemex(s)	*300*	*Jul 2006*	*12.75#*	*100.00R*	*12.75*	*+537½(7%-06)*	*Goldman Sachs Intl*
DSL Bank(i)	300	Aug 1998	6.375	99.99R	6.380	flat(6⅞%-98)	Nomura/SBC Warburg
Wachovia Bk of Nth Carolina	100	Aug 1998	6.375	99.774R	6.499	+8(6⅞%-98)	Merrill Lynch Intl
World Bank★	100	Jul 1997	5.375	100.56	4.788	-	Nomura International
Rabobank Nederland	200	Aug 1998	6.50	100.00R	6.500	flat(6⅞%-98)	Nikko Europe
Yageo Corp(e)§	80	Jul 2003	1.25	100.00	-	-	Jardine Fleming
Oresund Konsortiet★	50	Aug 2016	3.00#	60.50	6.580	-	Nomura International
Korea Exchange Bank‡	200	Aug 1997	(l)	100.005	-	-	Chase Manhattan Intl
SCIC(l)	150	Jul 2001	8.00	99.944R	8.014	+125(M 5yr)	M Stanley/SBCW
Banco Mercantil Argentino	50	Jul 1998	10.25#	99.612R	10.47	+430(6¼%-98)	BZW
D-MARKS							
Metro Finance(s)	300	Nov 1998	4.50	99.95R	4.52	+25(5¼%-98)	Deutsche Morgan G'fell
Cie Financiere de CIC(k)‡	300	Jul 2002	(k1)	99.91R	-	-	Morgan Stanley Bank
Pacuar Redegmut	70	Jul 2001	6.50	99.473R	6.627	+118(5¼%-01)	Nomura International
Depo International Finance	200	Aug 2001	5.75	101.67	5.360	-	WestLB
Dresdner Finance(d)	150	Jan 2001	5.25	101.52	4.854	-	Dresdner Bank-KB
Deutsche Ausgleichsbank(z)‡	100	Aug 2006	(z1)	100.00R	-	-	Morgan Stanley Bank
YEN							
Sumitomo Realty & Dev(s)★	20bn	Sep 2001	3.00	101.725	-	-	Daiwa Europe
Sumitomo Realty & Dev(s)★	10bn	Jan 2001	2.85	101.875	-	-	Daiwa Europe
Intl Finance Corp(m)★	20bn	Aug 1998	5.20	100.00	-	-	Nikko Europe
Honda America★	*10bn*	*Aug 2001*	*2.75*	*100.25*	*2.696*	*-*	*Nomura International*
JEMC, No 2(v)★	12bn	Jan 2002	zero	83.47	3.340	-	Tokyo-Mitsubishi Intl
Inter-American Dev Bank★	10bn	Aug 2011	3.48	100.00	3.480	-	Tokyo-Mitsubishi Intl
Fed'l Home Loan Mtg Cp(A)★	20bn	Aug 1999	6.70	98.5175	-	-	Daiwa Europe
ABN Amro Bank(B)★	10bn	Aug 1998	4.50	106.05	-	-	ABN Amro/Nikko Intl
SWISS FRANCS							
Knickerbockers(a)(b)◊★	91	Aug 2000	0.625	100.00	-	-	Toyko-Mitsubishi(Switz)
Oest Postsparkasse(t)	100	Aug 2000	4.125	103.55	3.186	-	Credit Suisse
Bayerische Landesbank(w)	150	Jul 2001	4.25	103.70	3.418	-	Credit Suisse
Landesbank Stuttgart(x)	100	Jul 2006	4.75	104.50	4.190	-	Credit Suisse
LW Rentenbank	100	Sep 2002	4.125	102.65	3.626	-	Zürcher Kantonalbank
BLFA(t)	100	Sep 2000	4.00	103.00	3.19	-	Credit Suisse
STERLING							
Auto Funding No2, Cls A(b)‡	127	Jun 2003	(p1)	100.00R	-	-	UBS
Hyder(y)	125	Aug 2016	9.50	99.39R	9.570	+110(8¾%-17)	NatWest Capital Mkts
GUILDERS							
Achmea Hypotheekbank	300	Aug 2006	6.75	99.375R	6.838	+32(i)	ABN Amro Hoare Govett
Bayerische Vereinsbank(l)	250	Sep 2001	5.75	99.905R	5.77	+12(8¼%-01)	Rabobank Nederland
LUXEMBOURG FRANCS							
Banque Internationale à Lux(l)	2bn	Nov 2001	6.00	102.50	5.43	-	BIL
Commerzbank	3bn	Dec 2002	zero	69.58	5.862	-	BGL
AUSTRALIAN DOLLARS							
Queensland Treasury Corp★	100	Jul 1999	4.50	82.325	7.400	-	Nomura International
ECU							
Oest Kontrollbank(l)	250	Aug 2001	5.75	99.18R	5.944	-11(8%-01)	SBC Warburg
Bayerische Hypo(l)	60	Oct 2001	6.25	101.375	5.93	-	BIL
Norddeutsche Landesbank	55	Aug 2002	(g)	101.80	6.12	-	Kreditbank Intl Group
PESETAS							
Eurofima	*10bn*	*Sep 1999*	*7.00*	*102.707*	*8.817*	*-*	*BNA/BSN*
CANADIAN DOLLARS							
Toronto-Dominion Australia(s)	100	Dec 2000	7.00	99.72R	7.09	+5(7½%-00)	Toronto-Dominion Bank
ESCUDOS							
CBPO(o)‡	7.5bn	Aug 2004	(o1)	100.00	-	-	Cid/BES/Finantia
Morgan Guaranty Trust Co(C)‡	8bn	Aug 2006	(C1)	100.00	-	-	CGD
NEW ZEALAND DOLLARS							
Eurofima	*100*	*Aug 1998*	*9.00*	*101.30*	*8.268*	*-*	*Toronto-Dominion Bank*

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ◊With equity warrants. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) Denoms: $10,000 +2 wrts. Ex price: Y1,733. Fx: 111.20Y/$. b) Legal maturity: 15/8/03. b1) 1-mth Libor +13bp. b2) Class B: $32.5m, 15/8/01, 1-mth Libor +29bp. c) Callable from 1/8/01 at par. c1) 3-mth Libor +⅜% to 31/7/01, then +1¼%. d) Callable on coupon dates from July 97 at par. e) Short 1st & second coupons. f) Spread related to French govt 5¼% BTANs. g) 5¼% to 30/8/99, then 6%. h) Callable & puttable in Aug 98 at 100.15% and 99.70% respectively and in Aug 01 at 100.075% and 99.80%. i) Over interpolated yield. j) Toyota Auto Receivables. Legal maturity: 20/7/01. 10% clean-up call. Average life: 1.26 yrs. Monthly coupons. j1) Class B: $22.632m, 20/11/97, 6.50, 99.992563R, T's +60bp. k) Callable on 22/7/01 at par. k1) 3-mth Libor +12½bp. l) Long 1st coupon. m) Redeemed in US$. n) Fixing: 19/7/96. Warrants in Pakize Corp. Refixing clause effective 7/8/97 & 7/8/98, max 80%. o) Expected maturity: 5 yrs. Average life: 4.4 yrs. o1) Class B: 89m, 3-mth Libor +37½bp, av life 4.97 yrs. p) Callable/Pfandbrief. q) Conversion price: NT$49.075. Fx: 27.582NT$/$. Callable after 3 yrs, subject to 145% hurdle, at accreted value. Puttable in 5 yrs at 139.97%. Refixing clause in 3 yrs, max 80%. Greenshoe: $20m. r) SFr200m launched 9/7/96 was increased to SFr300m. s) Short 1st coupon. t) 3-mth Libor +22½bp. u) Fungible with DM500m. Plus 200 days accrued. v) Japanese Estate Management Investment Company. w) Fungible with SFr150m. Plus 30 days accrued. x) SFr150m launched 1/7/96 was increased to SFr250m. y) Spens call provision. z) Issuer may convert into 6% fixed annual coupon bond from 1/8/01. A) Redeemed in Aus$. B) Redeemed in US$. C) Callable from Aug 01 at par. C1) 6-mth Libor +2bp to Aug 01, then 8.25% fixed annual. Note: Yields are calculated on ISMA basis.

ATHENS STOCK EXCHANGE July 12th - July 19th 1996 — GREECE

ASE INDEX	887.17	P/E (after tax) 96e/95e	11.5 / 12.1	GDP (USD bn) 95e	125.47
%Chg (2/1/96)	-0.72	EPS GROWTH (%) 96e	10.8	Per Capita Income (USD)	11,880
Yearly High	1026.02	P/E 96e/EPS GROWTH (%)96e	1.12	Inflation Rate (% Y.O.Y, July 96)	8.80
Yearly Low	887.11	P/CE 96e/95e	8.8 / 9.0	12 Month T-bill (%, last July issue)	13.05
WEEKLY VOLUME (USD m)	136.63	P/BV 96e/95e	2.4 / 2.6	1-Month Athibor (%)	13.8
%Chg (Prev. Wk)	14.76	Div. Yield (%) 96e/95e	6.0 / 4.6	GRD/US$	235.62
1 Y Wk Avg. (USD m)	149.59			A.S.E. Market Capitalisation - 19/7/96. (USD bn)	24.08
				IPOs & Rights Issues (in USD m) 1-Jan '96 - 19 July 1996	549.35

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jul 19 / Sch)

BELGIUM/LUXEMBOURG (Jul 19 / Frs.)

CZECH REP (Jul 19 / Koruna)

DENMARK (Jul 19 / Kr)

FINLAND (Jul 19 / Mka)

FRANCE (Jul 19 / Frs.)

GERMANY (Jul 19 / Dm.)

GREECE (Jul 19 / Drachma)

ITALY (Jul 19 / Lire)

NORWAY (Jul 19 / Kroner)

POLAND (Jul 19 / Zloty)

PORTUGAL (Jul 19 / Escudo)

SPAIN (Jul 19 / Pts.)

NETHERLANDS (Jul 19 / Fls.)

SWEDEN (Jul 19 / Kronor)

SWITZERLAND (Jul 19 / Frs.)

TURKEY (Jul 19 / Tk Lira)

PACIFIC

JAPAN (Jul 19 / Yen)

HONG KONG (Jul 19 / H.K.$)

INDONESIA (Jul 19 / Rupiah)

MALAYSIA (Jul 19 / MYR)

NEW ZEALAND (Jul 19 / NZ $)

SINGAPORE (Jul 19 / S$)

AUSTRALIA (Jul 19 / Aust$)

SOUTH KOREA (Jul 19 / Won)

TAIWAN (Jul 19 / TW $)

THAILAND (Jul 19 / Baht)

AFRICA

SOUTH AFRICA (Jul 19 / Rand)

NORTH AMERICA

CANADA

TORONTO (Jul 19 / Can $) 4 pm close

MONTREAL (Jul 19 / Can $) 4 pm close

INDICES

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US INDICES

Standard and Poors							
Composite‡	638.73	643.56	634.07	678.51 (24/5)	598.48 (10/1)	678.51 (24/5/96)	4.40 (1/6/32)
Industrials¶	757.07	762.47	751.12	807.88 (5/6)	702.07 (15/1)	807.88 (5/6/96)	3.62 (21/6/32)
Financial	64.85	65.51	64.26	68.88 (5/3)	58.87 (10/1)	68.88 (5/3/96)	8.64 (1/10/74)
NYSE Comp.	342.91	345.10	340.10	363.74 (24/5)	321.41 (10/1)	363.74 (24/5/96)	4.46 (25/4/42)
Amex Mkt Val	548.76	551.63	538.98	614.98 (22/5)	525.80 (16/7)	614.98 (22/5/96)	29.31 (9/12/72)
NASDAQ Comp	1097.68	1109.82	1086.63	1249.14 (5/6)	988.57 (15/1)	1249.14 (5/6/96)	54.87 (31/10/72)

■ RATIOS

	Jul 12	Jul 5	Jun 28	Year ago
Dow Jones Ind. Div. Yield	2.28	2.22	2.19	2.36
	Jul 17	Jul 10	Jul 3	Year ago
S & P Ind. Div. yield	2.32	2.08	na	2.07
S & P Ind. P/E ratio	18.63	21.97	na	19.68

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Battle Mountn	9,247,000	8⅝	+¼
Natl Power	7,346,400	24⅝	+¾
Sunbeam	7,124,700	18⅜	+8
Amer T & T	6,245,800	53⅜	-½
Hewlett Packrd	3,883,100	43	-⅞
Coca Cola	3,481,600	47⅛	-¼
Federal Natl	3,469,800	31⅛	-1⅝
Wal-Mart	3,384,500	24	-⅜
Micron Tech	3,144,300	18⅝	-⅜
Merck	3,014,200	64⅝	----

■ TRADING ACTIVITY

● Volume (million)

	Jul 19	Jul 18	Jul 17
New York SE	402.243	469.645	509.470
Amex	19.579	26.326	27.205
NASDAQ	(a)	651.834	718.310
NYSE			
Issues Traded	3,133	3,187	3,169
Rises	955	1,880	1,741
Falls	1,380	679	722
Unchanged	798	668	706
New Highs	22	32	14
New Lows	27	37	45

■ S&P 500

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	647.50	642.00	-5.45	648.40	639.00	88,170	174,703
Dec	651.50	647.90	-5.45	651.50	644.85	1,130	7,920

■ Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	21750.0	21750.0	-80.00	21790.0	21540.0	14,985	227,987
Dec	21730.0	21730.0	+110.0	21730.0	21660.0	2	8,449

Open interest figures for previous day.

Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation.

INDEX FUTURES

■ CAC-40 ■ DAX ■ OMX ■ BOVESPA

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FT FREE ANNUAL REPORTS SERVICE

■ TOKYO - MOST ACTIVE STOCKS: Friday, July 19, 1996

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Stl Corp	5.6m	344	-7	Kawasaki Stl	3.2m	371	-6
NKK Corp	4.7m	303	-5	Sumitomo Tr & Bk	3.1m	1400	+20
TYK Corp	4.5m	1110	+30	Kobe Steel	2.9m	291	-2
Hitachi	3.6m	974	-19	Sumitomo Mtl Ind	2.8m	307	-8
NEC Corp	3.5m	1130	-10	Daiwa Secs	2.8m	1300	

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Jul 19		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.2080	-0.0149	983 - 176	16.2452	16.1856	16.1767	2.3	16.1017	2.8	-	-	105.2
Belgium	(BFr)	47.4325	-0.0592	125 - 525	47.5840	47.3700	47.3375	2.4	47.1475	2.4	46.3575	2.3	107.0
Denmark	(DKr)	8.8818	-0.0092	775 - 861	8.9029	8.8707	8.8691	1.9	8.8477	1.5	8.7399	1.6	108.1
Finland	(FM)	6.9976	-0.0173	914 - 038	7.0200	6.9910	6.9932	0.8	6.9951	0.7	-	-	84.9
France	(FFr)	7.8013	-0.0108	987 - 038	7.8219	7.7832	7.7881	1.9	7.7684	1.8	7.673	1.6	109.7
Germany	(DM)	2.3032	-0.0021	019 - 045	2.3096	2.2996	2.2998	2.3	2.2897	2.3	2.251	2.2	109.1
Greece	(Dr)	364.656	-0.039	458 - 855	365.398	363.690	-	-	-	-	-	-	67.7
Ireland	(I£)	0.9635	-0.0022	627 - 643	0.9675	0.9625	0.963	0.6	0.9618	0.7	0.9573	0.6	99.4
Italy	(L)	2342.05	-8.06	077 - 334	2349.90	2340.47	2347.6	-2.8	2357.45	-2.6	2389.95	-2.0	76.5
Luxembourg	(LFr)	47.4325	-0.0592	125 - 525	47.5840	47.3700	47.3375	2.4	47.1475	2.4	46.3625	2.3	107.0
Netherlands	(Fl)	2.5827	-0.0033	816 - 837	2.5895	2.5814	2.5768	2.8	2.5646	2.8	2.5169	2.5	107.3
Norway	(NKr)	9.9043	-0.0176	965 - 119	9.9345	9.8894	9.8958	1.0	9.8788	1.0	9.7953	1.1	98.9
Portugal	(Es)	236.822	-0.42	660 - 984	237.359	236.113	237.247	-2.2	238.152	-2.2	-	-	95.2
Spain	(Pta)	194.355	-0.604	241 - 469	195.337	194.178	194.615	-1.6	195.13	-1.6	196.53	-1.1	80.8
Sweden	(SKr)	10.2297	-0.0468	196 - 397	10.2696	10.2036	10.23	0.0	10.2301	0.0	10.228	0.0	89.2
Switzerland	(SFr)	1.8824	-0.0017	812 - 836	1.8896	1.8811	1.8774	3.2	1.8696	3.4	1.8184	3.4	112.2
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	84.7
Ecu	-	1.2220	-0.0006	214 - 225	1.2232	1.2202	1.2207	1.3	1.2177	1.4	1.2044	1.4	-
SDR†	-	1.061860	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5452	+0.0019	447 - 457	1.5478	1.5427	-	-	-	-	-	-	-
Brazil	(R$)	1.5581	+0.003	583 - 599	1.5600	1.5544	-	-	-	-	-	-	-
Canada	(C$)	2.1149	+0.0006	140 - 157	2.1171	2.1031	2.1142	0.4	2.1105	0.8	2.1025	0.6	84.1
Mexico	(New Peso)	11.7785	-0.0512	603 - 966	11.8578	11.7581	-	-	-	-	-	-	-
USA	($)	1.5474	+0.0019	470 - 477	1.5484	1.5430	1.5469	0.4	1.5478	-0.1	1.549	-0.1	96.2
Pacific/Middle East/Africa													
Australia	(A$)	1.9584	+0.0038	553 - 574	1.9620	1.9488	1.9589	-1.6	1.964	-1.6	1.9892	-1.7	92.6
Hong Kong	(HK$)	11.9723	+0.0151	688 - 758	11.9797	11.9391	11.9642	0.8	11.9526	0.7	11.9328	0.3	-
India	(Rs)	55.0858	-0.2414	638 - 077	55.4170	55.0770	-	-	-	-	-	-	-
Israel	(Shk)	4.9204	-0.0001	168 - 240	4.9251	4.9021	-	-	-	-	-	-	-
Japan	(Y)	167.478	-0.505	385 - 570	167.900	166.790	166.753	5.2	165.263	5.3	158.646	5.2	134.1
Malaysia	(M$)	3.8509	+0.0063	492 - 525	3.8527	3.8405	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2321	-0.0101	304 - 337	2.2402	2.2248	2.2371	-2.7	2.2465	-2.6	2.2804	-2.2	108.4
Philippines	(Peso)	40.5329	+0.0653	850 - 807	40.5975	40.4716	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8035	+0.0072	019 - 050	5.8071	5.7873	-	-	-	-	-	-	-
Singapore	(S$)	2.1931	+0.0001	918 - 943	2.1949	2.1883	-	-	-	-	-	-	-
South Africa	(R)	6.7929	+0.0076	890 - 967	6.8036	6.7682	-	-	-	-	-	-	-
South Korea	(Won)	1259.62	+1.47	926 - 998	1260.40	1256.00	-	-	-	-	-	-	-
Taiwan	(T$)	42.6386	+0.0539	214 - 562	42.6500	42.5229	-	-	-	-	-	-	-
Thailand	(Bt)	39.1557	+0.021	391 - 723	39.1850	39.0530	-	-	-	-	-	-	-

† Rates for Jul 18. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jul 19		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	10.4747	-0.0225	708 - 785	10.5220	10.4730	10.4552	2.2	10.4192	2.3	10.2297	2.3	105.1
Belgium	(BFr)	30.6540	-0.076	480 - 600	30.8100	30.6420	30.599	2.2	30.484	2.2	29.944	2.3	106.8
Denmark	(DKr)	5.7400	-0.013	385 - 415	5.7669	5.7340	5.7325	1.6	5.7155	1.7	5.6465	1.6	107.4
Finland	(FM)	4.5223	-0.0168	193 - 253	4.5451	4.5182	4.5158	1.7	4.5038	1.6	4.4563	1.4	84.1
France	(FFr)	5.0417	-0.0132	412 - 422	5.0652	5.0295	5.0347	1.7	5.0205	1.7	4.9527	1.8	108.3
Germany	(DM)	1.4885	-0.0032	880 - 890	1.4956	1.4863	1.486	2.0	1.4802	2.2	1.452	2.5	106.6
Greece	(Dr)	235.685	-0.315	590 - 740	236.460	235.030	237.34	-8.5	240.69	-8.5	254.665	-8.1	67.3
Ireland	(I£)	1.6060	+0.0057	050 - 070	1.6075	1.5954	1.6066	-0.4	1.6075	-0.4	1.599	0.4	-
Italy	(L)	1513.59	-7.08	310 - 408	1522.45	1511.35	1518.34	-3.8	1526.49	-3.4	1549.24	-2.4	76.8
Luxembourg	(LFr)	30.6540	-0.076	480 - 600	30.8100	30.6420	30.601	2.1	30.4945	2.1	30.014	2.1	106.8
Netherlands	(Fl)	1.6691	-0.0042	688 - 694	1.6774	1.6676	1.6658	2.4	1.6586	2.5	1.6269	2.5	106.8
Norway	(NKr)	6.4006	-0.0193	973 - 043	6.4265	6.3966	6.3979	0.6	6.3923	0.5	6.3658	0.7	98.1
Portugal	(Es)	153.050	-0.46	980 - 120	153.750	152.970	153.365	-2.5	153.955	-2.4	156.1	-2.0	95.3
Spain	(Pta)	125.605	-0.545	560 - 650	126.350	125.550	125.855	-2.4	126.295	-2.2	127.825	-1.8	80.4
Sweden	(SKr)	6.6111	-0.0384	081 - 151	6.6460	6.5960	6.6222	-2.0	6.6398	-1.7	6.6816	-1.1	88.4
Switzerland	(SFr)	1.2165	-0.0026	160 - 170	1.2240	1.2150	1.2129	3.5	1.2055	3.6	1.172	3.7	111.9
UK	(£)	1.5474	+0.0019	470 - 477	1.5484	1.5430	1.5469	0.4	1.5479	-0.1	1.549	-0.1	84.3
Ecu	-	1.2663	+0.0022	660 - 666	1.2684	1.2624	1.2671	-0.7	1.2687	-0.8	1.2775	-0.9	-
SDR†	-	0.68779	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9986	-	985 - 987	0.9995	0.9985	-	-	-	-	-	-	-
Brazil	(R$)	1.0076	+0.0007	073 - 079	1.0080	1.0073	-	-	-	-	-	-	-
Canada	(C$)	1.3668	-0.0013	665 - 670	1.3690	1.3645	1.3666	0.1	1.3669	0.0	1.3697	-0.2	83.3
Mexico	(New Peso)	7.6120	-0.0425	020 - 220	7.6225	7.6010	7.7735	-25.5	7.9585	-18.2	9.722	-27.7	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.0
Pacific/Middle East/Africa													
Australia	(A$)	1.2642	+0.0008	638 - 647	1.2671	1.2630	1.2662	-1.9	1.2697	-1.7	1.2884	-1.9	94.1
Hong Kong	(HK$)	7.7373	+0.0003	368 - 378	7.7380	7.7364	7.738	-0.1	7.7398	-0.1	7.7668	-0.4	-
India	(Rs)	35.6000	-0.2	000 - 000	35.8200	35.3600	35.75	-5.1	36.055	-5.1	37.525	-5.4	-
Israel	(Shk)	3.1799	-0.004	783 - 815	3.1865	3.1725	-	-	-	-	-	-	-
Japan	(Y)	108.235	-0.46	200 - 270	108.640	107.960	107.79	4.9	106.89	5.0	103.15	4.7	134.8
Malaysia	(M$)	2.4887	+0.001	882 - 892	2.4893	2.4876	2.4896	-0.4	2.4957	-1.1	2.5192	-1.2	-
New Zealand	(NZ$)	1.4424	-0.0083	418 - 432	1.4469	1.4415	1.4455	-2.6	1.4513	-2.5	1.4759	-2.3	-
Philippines	(Peso)	26.1950	+0.01	700 - 200	26.2200	26.1700	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	+0.0001	504 - 507	3.7508	3.7503	3.751	-0.1	3.7517	-0.1	3.7551	-0.1	-
Singapore	(S$)	1.4173	-0.0017	168 - 178	1.4199	1.4160	1.4138	3.0	1.4078	2.7	1.3823	2.5	-
South Africa	(R)	4.3900	-0.0005	885 - 915	4.3985	4.3830	4.4375	-13.0	4.5275	-12.5	4.865	-10.8	-
South Korea	(Won)	814.050	-0.05	000 - 100	814.300	813.800	-	-	-	-	-	-	-
Taiwan	(T$)	27.5560	+0.001	510 - 610	27.5700	27.5500	27.581	-0.2	27.586	-0.1	-	-	-
Thailand	(Bt)	25.3050	-0.0175	000 - 100	25.3220	25.2090	25.4037	-4.7	25.6075	-4.8	26.49	-4.7	-

† SDR rate per $ for Jul 18. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jul 19: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

July 19	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	2.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	2.50	-
France	[illegible]	[illegible]	[illegible]	[illegible]	4	3.55	-	5.60
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.55	-	5.60
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	9.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	9.30
Netherlands	[illegible]	[illegible]	3	[illegible]	[illegible]	-	3.00	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	1.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	1.50	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	1	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
$ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.15	5.30	5.43	5.69	-	-	-
week ago	-	5.15	5.34	5.49	5.82	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jul 19	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	4 - 3¾	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3½ - 3⅜
Dutch Guilder	[illegible]	[illegible]	3 - [illegible]	[illegible] - 3	[illegible]	[illegible]
French Franc	[illegible] - 3½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	7½ - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] - 7	[illegible] - 7
Sterling	[illegible] - 5½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible] - 2½	[illegible]	[illegible]
Can. Dollar	[illegible] - 4½	[illegible] - 4½	[illegible]	[illegible]	[illegible]	[illegible] - 6
US Dollar	5¼ - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	9 - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	½ - [illegible]	[illegible]	[illegible] - ½	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible] - 3½	[illegible] - 3½	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jul 19		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.73	16.45	4.856	2.032	4938	5.446	20.88	499.3	409.9	21.57	3.968	2.108	4.459	3.262	353.2	2.576
Denmark	(DKr)	53.40	10	8.783	2.593	1.085	2637	2.908	11.15	266.6	218.9	11.52	2.119	1.126	2.381	1.742	188.6	1.376
France	(FFr)	60.80	11.39	10	2.952	1.236	3002	3.311	12.70	303.6	249.2	13.11	2.413	1.282	2.711	1.983	214.7	1.566
Germany	(DM)	20.59	3.857	3.387	1	0.419	1017	1.122	4.300	102.8	84.41	4.442	0.817	0.434	0.918	0.672	72.73	0.531
Ireland	(I£)	49.20	9.214	8.092	2.389	1	2429	2.679	10.27	245.6	201.7	10.61	1.952	1.037	2.194	1.605	173.8	1.268
Italy	(L)	2.025	0.379	0.333	0.098	0.041	100.	0.110	0.423	10.11	8.301	0.437	0.080	0.043	0.090	0.066	7.152	0.052
Netherlands	(Fl)	18.36	3.439	3.020	0.892	0.373	906.7	1	3.834	91.68	75.26	3.961	0.729	0.387	0.819	0.599	64.85	0.473
Norway	(NKr)	47.89	8.968	7.877	2.325	0.973	2365	2.608	10	239.1	196.3	10.33	1.900	1.010	2.136	1.562	169.1	1.234
Portugal	(Es)	20.03	3.751	3.294	0.973	0.407	989.0	1.091	4.182	100.	82.08	4.320	0.795	0.422	0.893	0.653	70.73	0.516
Spain	(Pta)	24.40	4.569	4.013	1.185	0.496	1205	1.329	5.095	121.8	100.	5.262	0.968	0.514	1.088	0.796	86.16	0.629
Sweden	(SKr)	46.36	8.682	7.626	2.251	0.942	2289	2.525	9.681	231.5	190.0	10	1.840	0.978	2.067	1.512	163.7	1.195
Switzerland	(SFr)	25.20	4.719	4.145	1.224	0.512	1244	1.372	5.262	125.8	103.3	5.436	1	0.531	1.124	0.822	89.00	0.649
UK	(£)	47.43	8.882	7.801	2.303	0.964	2342	2.583	9.904	236.8	194.4	10.23	1.882	1	2.115	1.547	167.5	1.222
Canada	(C$)	22.43	4.200	3.688	1.089	0.456	1107	1.221	4.683	112.0	91.91	4.837	0.890	0.473	1	0.731	79.20	0.578
US	($)	30.66	5.741	5.043	1.489	0.623	1514	1.670	6.402	153.1	125.7	6.613	1.217	0.646	1.367	1	108.3	0.790
Japan	(Y)	28.32	5.303	4.657	1.375	0.576	1398	1.542	5.913	141.4	116.1	6.107	1.124	0.597	1.263	0.924	100.	0.730
Ecu		38.81	7.268	6.384	1.885	0.789	1917	2.114	8.105	193.8	159.1	8.372	1.540	0.818	1.731	1.266	137.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	0.6726	0.6749	+0.002	0.6756	0.6709	26,734	67,697
Dec	0.6762	0.6791	+0.002	0.6787	0.6762	177	2,687
Mar	-	0.6836	+0.002	-	-	3	327

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	0.8240	0.8267	+0.0025	0.8279	0.8205	19,098	38,302
Dec	0.8288	0.8330	+0.0025	0.8333	0.8288	144	1,996
Mar	-	0.8396	+0.0025	-	-	2	95

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	0.9282	0.9331	+0.0038	0.9345	0.9275	26,967	75,027
Dec	0.9422	0.9445	+0.0039	0.9450	0.9409	242	4,125
Mar	0.9515	0.9556	+0.0039	0.9555	0.9515	1	141

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	1.5464	1.5444	+0.0004	1.5486	1.5426	10,569	53,052
Dec	1.5450	1.5450	+0.0004	1.5488	1.5440	50	1,132
Mar	-	1.5460	+0.0004	1.5470	-	1	6

■ Pound in New York

Jul 19	---Close---	--Prev. close--
£ spot	1.5466	1.5455
1 mth	1.5460	1.5450
3 mth	1.5460	1.5451
1 yr	1.5480	1.5470

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Markets page in today's edition.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jul	PUTS Aug	PUTS Sep
1.520	2.66	2.96	-	0.11	0.48	0.80
1.530	1.92	2.30	2.62	0.32	0.76	1.13
1.540	1.26	1.69	2.09	0.66	1.16	1.53
1.550	0.76	1.20	1.59	1.20	1.66	2.04
1.560	0.41	0.81	1.18	1.84	2.27	2.57

Previous day's vol., Calls 11,316 Puts 3,282. Prev. day's open int., Calls 161,371 Puts 130,083

UK INTEREST RATES

LONDON MONEY RATES

Jul 19	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6¼ - 5½	[illegible] - 5⅝	5¾ - 5⅝	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]		-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	5¾ - 5⅝	5¾ - 5⅝	5¾ - 5⅝	5¾ - 5⅝	5¾ - 5⅝	6 - 5⅞
Discount Market deps	5⅞ - 5⅝	5¾ - 5⅝	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from June 6, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on Jul 19, 5.4763pc. ECGD fixed rate Stg. Export Finance. Make up day Jun 28, 1996. Agreed rate for period Jul 24, 1996 to Aug 25, 1996, Schemes II & III 7.20pc. Reference rate for period Jun 1, 1996 to Jun 28, 1996, Schemes IV & V 5.935pc. Finance House Base Rate 6pc from Jul 1, 1996

BANK OF ENGLAND TREASURY BILL TENDER

	Jul 19	Jul 12
Bills on offer	£600	£600m
Total of applications	£3552m	£3834m
Total allocated	£600m	£600m
Min. accepted bid	£98.625	£98.630
Allotment at min. level	22%	52%

	Jul 19	Jul 12
Top accepted rate	5.5151%	5.4951%
Ave. rate of discount	5.4763%	5.4913%
Average yield	5.5521%	5.5675%
Offer at next tender	£600m	£600m
Min. accept. bid 182 days	-	-

BANK RETURN

BANKING DEPARTMENT	Wednesday July 17, 1996	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	1,026,291,810	-239,022,363
Bankers deposits	1,921,643,668	-548,733
Reserve and other accounts	3,743,606,457	+492,869,899
	6,706,094,935	+253,298,803
Assets		
Government securities	2,065,451,399	+38,919,999
Advance and other accounts	1,284,399,611	+12,784,261
Premise, equipment and other secs	3,343,945,029	+193,907,884
Notes	12,163,860	+7,709,320
Coin	125,036	-2,661
	6,706,094,935	+253,298,803
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	20,627,836,140	+102,290,680
Notes in Banking Department	12,163,860	+7,709,320
	20,640,000,000	+110,000,000
Assets		
Other Government securities	14,128,336,691	+1,344,753,387
Other Securities	6,511,663,309	-1,234,753,387
	20,640,000,000	+110,000,000

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Duncan Lawrie	5.75	Royal Bk of Scotland	5.75
Allied Trust Bank	5.75	Exeter Bank Limited	6.75	●Singer & Friedlander	5.75
AIB Bank	5.75	Financial & Gen Bank	7.00	●Smith & Williamson Secs	5.75
●Henry Ansbacher	5.75	●Robert Fleming & Co	5.75	Scottish Widows Bank	5.75
Bank of Baroda	5.75	Girobank	5.75	TSB	5.75
Banco Bilbao Vizcaya	5.75	●Guinness Mahon	5.75	United Bank of Kuwait	5.75
Bank of Cyprus	5.75	Habib Bank AG Zurich	5.75	Unity Trust Bank Plc	5.75
Bank of Ireland	5.75	●Hambros Bank	5.75	Western Trust	5.75
Bank of India	5.75	Heritable & Gen Inv Bk	5.75	Whiteaway Laidlaw	5.75
Bank of Scotland	5.75	●Hill Samuel	5.75	Yorkshire Bank	5.75
Barclays Bank	5.75	C. Hoare & Co	5.75		
Brit Bk of Mid East	5.75	Hongkong & Shanghai	5.75	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	5.75	Julian Hodge Bank	5.75	* In administration	
Citibank NA	5.75	●Leopold Joseph & Sons	5.75		
Clydesdale Bank	5.75	Lloyds Bank	5.75		
The Co-operative Bank	5.75	Meghraj Bank Ltd	5.75		
Coutts & Co	5.75	Midland Bank	5.75		
Credit Lyonnais	5.75	* Mount Credit Corp	6.00		
Cyprus Popular Bank	5.75	NatWestminster	5.75		
		●Rea Brothers	5.75		

FT GOLD MINES INDEX

	Jul 19	% chg since 29/12/95	Mkt Cap $bn	% of Gold Mines	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (32)	1998.26	+3.9	81.47	100.00	1.47	-	2520.73	1722.88
■ **Regional Indices**								
Africa (13)	2698.16	+7.8	14.44	28.05	2.47	37.18	3533.86	2272.74
Australasia (7)	2240.28	-5.4	6.07	11.80	2.59	20.94	2927.34	2123.50
North America (12)	1753.82	+4.1	30.96	60.16	0.78	62.56	2186.39	1468.94

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■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.23	94.23	-0.01	94.23	94.22	111,627	407,976
Dec	93.97	93.92	-0.05	93.96	93.91	196,075	446,769
Mar	93.83	93.77	-0.07	93.83	93.76	153,889	280,334

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.74	94.73	-0.01	94.75	94.72	233	7,743
Dec	94.57	94.54	-0.05	94.57	94.55	145	1,527
Mar	-	94.42	-0.04	94.47	-	16	200

All Open interest figs. are for previous day

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§60	F.P.	8.82	58	46	†Allgyma	51	-2	-	-	-	-
*	F.P.	870.8	£20	£18⅞	Alamax	£19⅞	+⅛	-	-	-	-
§125	F.P.	40.1	130	123	†BATM Adv Comms	129	-2	-	-	-	-
§180	F.P.	40.3	202	191	Belhaven Brewery	200		-	-	-	-
100	P.P.	1,362	99½	89	British Energy	99½	+3½	F13.7	-	8.7	-
34	F.P.	577.2	92	92	Central Motor	92		-	-	-	-
§170	F.P.	19.0	185	173	†Circle Comms	175		-	-	-	-
*	F.P.	8.94	19	15	Concurrent Techs	19		-	-	-	-
§3	F.P.	3.07	4	4	†Dings of Bath	4		-	-	-	-
§143	F.P.	31.1	153	148	†Elec Retail Sys	148		-	-	-	-
§	F.P.	2.78	53	41	†Fayrewood	53	+6	-	-	-	-
§68	F.P.	2.74	68	62	†Hat Pin	62	-1	u2.72	2.0	5.5	11.4
-	F.P.	19.8	96	65	†Independent Br H	78xd		-	-	-	-
§12	F.P.	0.75	15	12	†Life Numbers	15	+1	-	-	-	-
§	F.P.	0.16	5	2	†Life Numbers Wts	5	+1	-	-	-	-
§3	F.P.	7.35	4¼	4	†Lotteryking	4¼	+¼	-	-	-	-
§	F.P.	0.28	1½	1	†Lotteryking Wts	1½		-	-	-	-
-	F.P.	1.32	19	18	NECA	18		-	-	-	-
172	F.P.	383.8	227	172	Pace Micro Techn	179	+1	R2.4	2.4	1.7	28.7
§3	F.P.	8.19	4	3½	†Pordum Foods	3¾		-	-	-	-
-	F.P.	0.38	2	1½	†Pordum Foods Wts	1¾		-	-	-	-
-	F.P.	1,247	243	216	Sun Life & Prov	221½	+½	-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1996 High	1996 Low	Stock	Closing price p	+or-
355	Nil	16/8	44pm	17pm	Cowie	17pm	-3
220	Nil	13/8	50pm	38pm	Dixon Motors	41pm	
545	Nil	20/8	105pm	40pm	Greene King	51pm	+6
2	Nil	26/7	1pm	½pm	Kaye Food	½pm	
595	Nil	2/8	383pm	86pm	Sema Group	124pm	+19
110	Nil	28/8	3pm	2pm	Syndicate Cap.	2pm	
130	Nil	23/8	10pm	1¼pm	Thaley Robor	1½pm	+¼
103	Nil	1/8	18pm	11pm	TransTec	11pm	-2
80	Nil	27/8	9½pm	5pm	Tullow Oil	9½pm	
300	Nil	15/8	24pm	8pm	Vardy	8pm	-1

pm premium.

UK GILTS PRICES

Notes	Price £	+/-	Amt £m	Interest due	Last xd	City line
[illegible]						
Treas 7pc 2001 ‡‡	98⅝	-.1	10,750	My6 No6	25.4	3031
Treas 9¾pc 2002	110⅞	-.1	6,527	Fe27 Au27	16.2	1349
Treas 8pc 2003‡‡	102⅝	-.1	8,800	Ja10 Jl1	30.5	2010
Treas 10pc 2003	112⅞	-.1	2,503	Mr8 Se8	28.2	1281
Treas 11½pc 2001-4	115⅞	-.1	1,820	Se19 Mr19	8.3	1290
Funding 3½pc 1999-4	80⅞	0.2	548	Jn14 Jy14	4.7	1274
Conversion 9½pc 2004	110⅝	-.1	3,412	Ap25 Oc25	16.4	1246
Treas 6¾pc 2004‡‡	95⅞	-.1	6,500	My26 No26	16.5	3541
Conv 9½pc 2005	110⅝	-.1	4,842	Oc18 Ap18	8.4	1247
Treas 12½pc 2003-5	128⅝	-.1	2,200	My21 No21	10.6	1296

Undated	Price £	+/-	Amt £m	Interest due	Last xd	City line
Consols 4pc	47⅞	0.1	359	Au1 Au1	22.12	1239
War Loan 3½pc‡‡	42⅞	-.1	1,909	Jn1 De1	17.6	1352
Conv 3½pc '61 Aft.	59¾	—	115	Ap1 Oc1	21.3	1249
Treas 3pc '66 Aft.	35⅞	-1.1	56	Ap5 Oc5	27.3	1324
Consols 2½pc	30⅞	0.2	276	5JaApJyOc	28.6	1238
Treas. 2½pc	29⅞	-.4	475	Ap1 Oc1	21.3	1315

Other Fixed Interest	Price £	+/-	Amt £m	Interest due	Last xd	City line
[illegible]						
9pc Cap 1996	104	—	725	Ja30 Jy30	-	-
13pc '97-2	110⅞	—	315	Ap1 Oc1	8.93	1428
Hydro Quebec 15pc 2011	148¾	0.1	40	My31 No30	10.93	-
Leeds 13½pc 2006	131¾	—	40	Ap1 Oc1	8.9	3146
Liverpool 3½pc Irred.	38½	2.0	5	1ApJyOcJa	1.9	-
LCC 3pc '20 Aft.	33	-.8	26	1MrJnSeDe	1.05	-
Manchester 11½pc 2007	121	0.6	8	Ap25 Oc25	25.9	3275
Met. Wtr. 3pc 'B'	76	0.3	25	Mr1 Se1	1.8	3361
N'wide Anglia 3⅞pc 2021	130	-.4	50	Ja30 Jy30	6.95	3465
4¼pc IL 2024	133½	-.4	50	Au23 Fe23	7.95	-
Utd Mex States 16½pc 2008	133½	1.7	50	Mr1 Se1	8.93	-

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Weekly percentage changes are calculated on a Friday to Friday basis.

STOCK INDICES

	Jul 19	Jul 18	Jul 17	Jul 16	Jul 15	1996 High	1996 Low	Since comp. High	Since comp. Low
FT-SE 100	3710.50	3693.40	3658.20	3632.30	3698.30	3867.10	3632.30	3867.10	986.90
FT-SE Mid 250	4250.00	4225.20	4207.40	4201.00	4291.60	4568.60	4015.30	4568.60	1379.40
FT-SE Mid 250 ex ITs	4284.10	4256.90	4242.20	4237.10	4327.10	4607.40	4024.40	4607.40	1378.30
FT-SE-A 350	1860.80	1851.80	1836.20	1825.50	1860.00	1946.40	1816.60	1946.40	664.50
FT-SE SmallCap	2106.65	2095.50	2092.61	2091.76	2136.30	2244.36	1854.08	2244.36	1363.79
FT-SE SmallCap ex ITs	2103.76	2093.26	2092.18	2092.57	2135.30	2248.94	1831.83	2248.94	1363.79
FT-SE-A All-Share	1841.45	1832.41	1818.05	1808.18	1842.72	1924.17	1791.95	1924.17	61.92

	Jul 19	Jul 18	Jul 17	Jul 16	Jul 15	1996 High	1996 Low	Since comp. High	Since comp. Low
FT-SE-A Fledgling	1214.63	1207.73	1201.95	1200.59	1227.32	1279.06	1109.94	1279.06	949.00
FT-SE Eurotrack 100	1636.47	1631.33	1624.61	1624.77	1664.07	1709.78	1504.40	1709.78	600.45
FT-SE Eurotrack 200	1680.59	1671.28	1663.76	1666.60	1708.17	1743.59	1594.49	1743.59	938.82
FT Ordinary	2717.80	2700.40	2678.70	2668.80	2723.10	2885.20	2668.80	2885.20	49.40
FT Govt Securities	92.88	92.90	92.81	92.62	92.83	96.34	91.57	127.40	49.18
FT Fixed Interest	112.91	112.52	112.48	112.61	112.65	115.23	110.60	133.87	50.53
FT Gold Mines	1998.28	1998.07	1962.77	1962.77	2049.89	2520.73	1843.84	2520.73	922.18

FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

FT MANAGED FUNDS SERVICE

Offshore Funds and Insurances

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LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

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	Selling Price	Buying Price	Yield Gross	City-Line
PanEuroLife societe anonyme				
36 Av Marie-Therese, Luxembourg			00 352 456730	
French Balanced Jul 17	FFr6818.37		–	50225
Global Equities Jul 17	$1299.10		–	50227
UK Secure Gth Jul 17	£880.81		–	50228
US Secure Growth Jul 17	$1050.37		–	50197
Fund of Funds Jul 17	Ecu1181.56		–	50230
Premier Life				
1 rue Emile Bian, Luxembourg				
Davenport Chilwick E Fd	£1.25	1.35	–	48918
Argent Blend	£14.70		–	48311
CH 10	SFr1.61	1.73	–	47415
LX 10	$1.65	1.76	–	47416
Aravis Capital Advisers LLC				
Aravis Clipper Ltd	$108.32		–	–
Arc Investment Company Ltd				
Rainbow	$510.59		–	–
Rainbow	SFr311.10		–	–
Aristocrat Capital Management Ltd				
Aristocrat Endeavour Fd	$20.23		–	–
Arnhold and S. Bleichroeder, Inc				
Asia Pacific Capital Strategies Fund				
NAV Jul 16	$8.47		–	54880
Asia Pacific Securities Corp Ltd				
Credit Agricole Group/Segespar				
Green Way Ltd	[illegible]			
Green Way Guaranteed II	FFr103.475			
Credit Lyonnais Intl Asset Mgmt				
Asia-Pacific Growth	$50.670	0.975		
Singapore Growth	$59.900	0.945		
Cursitor Investment Co (Prague)				
Crosby Asset Management Ltd				
Asia Vision (a) Mar 27	$10.00			
China Vision (a) Jul 15	$11.40			
Thai Dev Cap NAV Jul 17	$15.75			
Crystal Corporation N.V.				
Crystal Fund Managers Ltd				

OTHER OFFSHORE FUNDS

● MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Allied Domecq	[illegible]	494xd	-.5	020.5	1.3	Feb Jul	20.5	[illegible]
Bulmer (HP)	[illegible]	599	0.3	13.2	♦	Feb Sep	8.1	[illegible]
Burn St Dist		101	—	8.0	0.5	May Nov	22.4	[illegible]
Glenmorangie A		705xd	—	12.0	3.3	Jan Jul	17.6	[illegible]
Grand Met	[illegible]	434	-1.1	15.75	1.5	Apr Oct	29.12	[illegible]
Guinness	[illegible]	473	0.6	14.9	2.1	May Nov	1.4	[illegible]
Highland	[illegible]	377	0.3	8.0	2.7	Jan Jun	7.5	[illegible]
Kirin Y		770½	[illegible]	[illegible]	4.2	Mar Sep	—	[illegible]
Macallan-Glen	[illegible]	153	[illegible]	1.45	3.3	May Nov	15.4	[illegible]
Matthew Clark	[illegible]	722	-2.4	24.8	0.7	Apr Oct	29.1	[illegible]
Merrydown	[illegible]	128xd	-4.2	4.5	♦	Jan Oct	15.7	[illegible]
Seagram $		[illegible]	-1.1	[illegible]	—	[illegible]	[illegible]	—

BANKS, MERCHANT

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Barings 9pc Cm 2nd Prf		[illegible]		[illegible]	—	Jun Dec	11'94	[illegible]
Cater Allen	[illegible]	[illegible]	-3.7	30.0	1.1	Jan Aug	8.7	[illegible]
Close Bros	[illegible]	331	[illegible]	9.05	2.5	Apr Nov	11.3	[illegible]
Gerrard & Nat	[illegible]	[illegible]	-4.0	23.0	1.4	Jul Dec	24.6	[illegible]
Hambros	[illegible]	[illegible]	-3.9	7.5	—	Aug Dec	17.6	[illegible]
7½pc Cv Pf		109	-3.5	7½%	—	Oct Apr	28.2	[illegible]
King & Shaxson	[illegible]	[illegible]	-6.3	9.0	1.1	Jan Aug	1.7	[illegible]
Leopold J	[illegible]	415	-3.3	19.5	1.4	Sep Jan	11.12	[illegible]
Rea Brothers	[illegible]	90		1.0	2.1	May Sep	1.4	[illegible]
Schroders	[illegible]	1305	-.3	16.8	4.5	May Oct	25.3	[illegible]
N/V		1090	-2.0	16.8	4.5	May Oct	25.3	[illegible]
Singer & Fried	[illegible]	111		4.0	3.0	Jan Nov	29.4	[illegible]
[illegible]		£122	[illegible]	[illegible]	—	—	[illegible]	[illegible]

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

FOOD PRODUCERS - Cont.

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

OTHER FINANCIAL - Cont.

[illegible]

PROPERTY - Cont.

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

AIM - Cont.

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

RETAILERS, FOOD

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

RETAILERS, GENERAL

[illegible]

AMERICANS

[illegible]

PHARMACEUTICALS

[illegible]

TOBACCO

[illegible]

CANADIANS

[illegible]

TRANSPORT

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

SOUTH AFRICANS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		£28½	—	0545c	♦	May Oct	3.93	–
Barlow	‡†	585	-3	0181c	—	Jan Jul	17.5	–
Gold Fields Prop R		121½	0.8	080c	1.5	Mar Sep	28.2	–
IIK Props		75	—	083.8c	—	Mar Sep	1.9	–
SASOL	♥	674	4.2	078c	—	Oct	8.93	–
SA Brews		£18½	—	0200c	♦	Jul Dec	3.6	–
Standard Bank		£28½	0.3	0264c	3.1	Sep Mar	–	–
Tiger Oats	†	880	-13.0	0114c	3.0	Jan Jul	10.6	–
Tongaat-Hulett		811xd	-2	0138c	♦	Jan Jun	20.5	–

INVESTMENT COMPANIES

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

PROPERTY

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

WATER

[illegible]

SUPPORT SERVICES

[illegible]

AIM

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

LEISURE & HOTELS

[illegible]

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are calculated on a "net" basis.

Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
ф Figures or report awaited
♥ Rule 2.1(a)(iv) Overseas Incorporated companies listed on an approved exchange.
♣ Free annual/interim report available, see details below.
✰ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
†† Rule 4.2(a) Irish incorporated non-listed companies.
✼ Price at time of suspension
¶ Indicated dividend after pending scrip and/or rights issue, cover relates to previous dividend or forecast
♦ Merger bid or reorganisation in progress
§ Forecast dividend; cover based on earnings updated by latest interim statement.
♦ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1996-97. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1995. K Dividend based on prospectus or other official estimates for 1996. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1995-96. N Dividend is paid in whole or part as a FID (Foreign Income Dividend). Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xk ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Jarvis Hotels (Leis & Htls). AFA Systems (Supp Svs), KPN (Telecomms), Cirqual, Fiber-net, Intelligent Environments, SEA Multimedia, Sinclair Montrose, Staffware, Tom Hoskins and Whittard of Chelsea (AIM). Deletions: LASMO 9¾% Prf (Oil Explrn). Schroder Media Fd (Other Inv Tsts).

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✰ FT Company Focus / Focus Plus

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Company Focus (FT news) £6.45.
Focus Plus (FT and Investors Chronicle news) £8.85.
To order, call 0121 200 4678.
Reports published by ShareFinder Ltd.

FT Cityline

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For readers phoning from outside UK, please dial +44 in place of the first 0.
The share prices printed on these pages are also available on the Internet at www.FT.com.

NEW YORK STOCK EXCHANGE PRICES

4 pm close July 19

1996 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
23¾	17¾	AAR	0.48	2.5	19	5047	19¼	18⅝	19¼	+⅜
46⅛	36⅛	AMP	1.00	2.6	18	6315	38¾	37⅝	37⅞	-1⅛
87½	68	AMR			15	7677	80¾	77⅝	78¾	-2⅜
50½	37⅞	ASA	1.80	4.6	26	221	40	39⅝	39⅞	-¼
45¼	38⅛	AbbtL x	0.96	2.2	18	11902	45	44⅛	44⅜	-¾
17¼	12¼	Abitibi Pr	0.40	3.0	6	574	13⅜	13¼	13⅜	
40⅜	27	ABM Ind	0.70	1.9	18	165	37⅝	37¼	37¼	-⅜
16⅝	13⅞	Acptnceln			47	33	18¼	18	18	-¼
50⅜	37¾	ACE Ltd	0.56	1.3	10	366	43⅞	42¼	43½	+1¼
9⅞	9⅛	ACM Gvt In	0.90	9.2	8	262	u9⅞	9¾	9¾	-⅛
7⅞	6⅝	ACM MgdDop	0.57	8.1		38	7⅛	7	7	
7¼	6	ACM Gvt Sp	0.66	10.2		139	6⅝	6½	6½	
9⅛	8¼	ACM Gvt Se	0.90	10.4		149	8⅝	8½	8⅝	
9½	8⅜	ACM Man	0.90	10.4		627	8⅝	8½	8⅝	
13⅞	6⅛	Acme Elect			45	140	8⅝	8	8⅛	-½
33⅞	27¼	Acordia	0.80	2.5	19	63	31⅞	31¼	31⅞	+⅛
21⅛	12	Acuson			59	585	13½	13	13⅛	-¼
19½	17⅞	Adams Expr	0.48	2.6	0	227	18½	18⅜	18½	
21¼	10⅞	AdvMic			7	9388	11⅞	d10⅞	11⅛	-⅛
11⅞	8½	Advest Grp	0.16	1.6	7	85	10	9¾	9⅞	-⅛
26⅛	8⅛	Advo Inc	0.10	1.0	54	161	9⅞	9⅝	9¾	+¼
50⅜	41⅛	Aegon	1.19	2.6	14	47	46	45¾	45¾	-¼
6¾	3½	Aeriflx			3	46	5⅛	5⅛	5⅛	+⅛
78¾	55⅞	AetnaL	2.76	4.4	18	15967	62½	61⅛	62⅛	
33	29¼	Aflac	0.40	1.3	12	952	30⅛	29⅝	30⅛	+¼

Continued on next page

4 pm close July 19

NYSE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close July 19

AMEX PRICES

4 pm close July 19

FT GUIDE TO THE WEEK

MONDAY 22

India presents budget

P Chidambaram, the finance minister of India, presents the first budget of the United Front government, which was formed after the April-May elections. He must strike a tricky balance between the government's pledges to raise spending on agriculture, social services and infrastructure and the need to contain India's fiscal deficit – which last year was 5.9 per cent of GDP. Foreign investors will watch the budget closely for its reformist intent and fiscal prudence. A poor reception could undermine a clutch of imminent issues of global depository receipts from big indian companies.

EU farm ministers meet

EU agriculture ministers begin what is expected to be at least a three-day meeting in Brussels. The Irish presidency will present a compromise proposal on a pricing package for agricultural products, and another attempt will be made to agree on reform of the fruit and vegetable markets. Ministers are thought likely to approve a reduction in the proportion of set-aside land to 5 per cent next year, which would increase cereal production by 8m tonnes. Plans will also be presented by Franz Fischler, the agriculture commissioner, to restore stability to the beef market after the "mad cow" crisis.

Major to reshuffle ministers

John Major, the UK prime minister, puts the finishing touches to a modest reshuffle of his ministerial team. Downing Street says there will not be a cabinet reshuffle, although Mr Major will make changes in the middle and lower ranks of government. These have been partly forced upon him: Tim Eggar, the energy minister, and Steve Norris, the transport minister, have asked to stand down. Those tipped for promotion include David Willets, the public service minister, and Angela Browning, the agriculture minister.

Santa claws his way back

The 33rd World Santa Claus Congress in Copenhagen will gather together more than 120 Santas from 22 nations (to July 28). A schism between the Danes – who claim that Greenland, a Danish dependency, is the true home of Father Christmas – and the Finns – who say that he is from Lapland – will be healed. The Finnish Santa is being welcomed back in recognition of the fact that no nation has sole rights to Santa.

Nato exercise in Hungary

Servicemen from the US, Canada and 15 European countries, including nine ex-communist nations, assemble in Hungary for the first large-scale air exercise by Nato on former Warsaw Pact territory. Operating from Hungary's Szolnok airbase, they will practise using aircraft for peace support operations, including humanitarian missions and search and rescue (to July 26).

Horseplay: the summer Olympic Games continue amid fears of doping scandals in the US city of Atlanta, Georgia. The athletics events start on Friday

Turkey to boost revenue

Turkey's new Islamist-dominated coalition government is to announce a big revenue-raising package to plug the treasury's widening budget deficit. A 50 per cent pay increase for civil servants was announced by Necmettin Erbakan, the Islamist prime minister from the ruling Refah party. Tansu Çiller, the leader of the centre-right True Path party and the coalition's junior partner, has promised to find money – rather than print it – to pay for the rise. Most of the money is expected to come from government property sales rather than spending cuts. Economists say the budget deficit will rise by half to about 10 per cent of GDP this year and push inflation to 100 per cent.

Iraq compensation studied

The United Nations compensation commission for victims of the 1990 Iraqi invasion of Kuwait meets in Geneva to process more claims (to July 24). The commission has waded through 2.6m claims totalling $200bn and already made awards of $3.7bn to more than 2m individuals for death, injury or financial loss. The recent oil-for-food deal between the UN and Iraq has raised hopes that the commission may finally have funds to pay out. This week the commission is studying 64,000 small property claims worth $320m.

WTO reviews piracy accord

World Trade Organisation members meet in Geneva to review implementation of the WTO agreement on intellectual property protection covering patents, copyrights and trademarks (to July 26). On the agenda are two US complaints already going through WTO dispute settlement procedures that Pakistan and India are not respecting the so-called "mailbox" provisions of the agreement. These require countries which do not yet have patent protection for pharmaceuticals and agrichemicals to provide a "mailbox" where patent applications can be filed.

Sailing

Commodore's Cup, Cowes, England (to Aug 1).

FT Survey

Private Medical Insurance (UK only).

Public holidays

Afghanistan, Guam, Netherlands Antilles, Swaziland.

TUESDAY 23

Chinese missions to Taipei

Taipei and Beijing are not letting bitter political rivalries get in the way of business. A Chinese delegation of port officials will arrive in Taiwan for private talks with industry leaders and government officials. They will be following a separate delegation of finance officials, which arrives on Monday. Such visits are unprecedented. The two sides will exchange views on securities-related matters and the establishment of direct cross-straits shipping – banned since 1949.

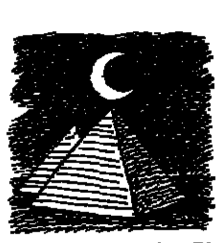
Prague vote of confidence

The Czech parliament begins debating a vote of confidence in the minority government of Vaclav Klaus, the prime minister. This should end the instability since the general election in June. Mr Klaus's centre-right, three-party coalition government has 99 seats and the opposition 101 in the 200-seat chamber. However, it is thought unlikely that the main opposition party, the Social Democrats, will vote against Mr Klaus.

Asean forum on security

A regional forum of Asean – Indonesia, Malaysia, Singapore, Thailand, Brunei, Vietnam and Philippines – meets in Jakarta to discuss regional security. The US, China, the EU and Russia will also be represented.

Islamic conference in Cairo



Al Azhar University of Cairo, the oldest Islamic university in the world – it was established in the 10th century – holds its annual Islamic conference with the ministry of religious affairs. The conference celebrates the birth of the prophet Mohammed and will be attended by Islamic scholars, moslem clerics and politicians. "The reaction of the heavenly religion to religious extremism" – terrorism in God's name – will be one of the main subjects.

Public holidays

Egypt, Libya.

WEDNESDAY 24

Ballot for UK shadow cabinet

British Labour party MPs vote in the last shadow cabinet elections before next year's general election. Tony Blair, the Labour leader, has said he does not want to change his team. Although Harriet Harman, the shadow health secretary, may lose her shadow cabinet status because of her decision to send her son to a grammar school. Mr Blair is expected to keep her in her post. These elections will bring the curtain down on the parliamentary year: MPs leave for their three-month summer holidays on Thursday. They return on October 14.

Rao fights over fraud case

Unless successful in his appeal against the summons, P.V. Narasimha Rao, the former prime minister of India, is to appear in a Delhi court to answer charges in a fraud case. Mr Rao, who was issued the summons by a Delhi magistrate, is battling to remain leader of the Congress party after a London-based businessman alleged Mr Rao's complicity in duping him of $100,000 (£64,000) paid to win contracts in India. Mr Rao appealed against the summons last week, but hearings were adjourned. An alleged confidante of Mr Rao, Chandraswami, a self-styled "god man", is already facing trial in the case.

Belgrade in debt talks

A delegation from Serb-led Yugoslavia holds three days of talks with the London Club of commercial banks. This round is aimed at reaching an agreement for Belgrade to start paying its share, agreed at 36.5 per cent, of the total $4.3bn (£2.75bn) owed by the former Yugoslav republics.

Public holidays

Fiji, Venezuela.

THURSDAY 25

Push for EU budget freeze

EU budget ministers meet in Brussels amid growing pressure to clamp down on public spending. France and Germany are expected to press for a freezing of the EU budget at 1996 levels – which would cut EU spending by about Ecu2bn (£1.64bn) to Ecu90bn.

Strike in Australia

Public servants in Australia are set to hold a 24-hour strike in protest at federal government cuts, which threaten to create thousands of redundancies in the public sector.

Cricket

First Test match, England v Pakistan, Lord's, London (to July 29).

Public holidays

Bhutan, Cook Islands, Costa Rica, Equatorial Guinea, Israel, Puerto Rico, Tunisia.

FRIDAY 26

Castro response expected

Fidel Castro, the president of Cuba, is expected to use Cuba's Moncada Day to deliver a state-of-the-union address. This is likely to give Cuba's response to the application by Bill Clinton, the US president, of the latest US embargo legislation against the island. It will probably also review the economy and outline future strategies. The Moncada celebration marks the 43rd anniversary of the guerrilla attack led by Mr Castro against the Moncada army barracks in Santiago de Cuba. This was a prelude to the 1959 revolution.

US/Australia security talks

Regional security will be at the heart of talks in Sydney between the US and Australia (to July 27). Warren Christopher, the US secretary of state, General John Shalikashvili, the chairman of the chiefs of staff, and William Perry, the defence secretary, will lead the US delegation. Australia will be represented by John Howard, the new prime minister, and Alexander Downer, the foreign minister.

Horse racing

England's most prestigious mid-summer, middle-distance race, the King George VI and Queen Elizabeth Diamond Stakes, is run at Ascot racecourse, near London.

Public holidays

Cuba, Liberia, Maldives.

SATURDAY 27

Postal stoppage in UK

A 36-hour postal strike ends in the UK – following hot on the heels of another shutdown by London Underground on Thursday.

Public holidays

Belarus, Bosnia & Herzegovina, Iran, Maldives, Puerto Rico, Bahrain, Oman, Lebanon, United Arab Emirates (depends on sighting of the moon).

SUNDAY 28

Russia/Japan manoeuvres

A Japanese destroyer, Kurama, arriving in the Russian far-eastern port of Vladivostok on Friday, takes part in the first joint Russo-Japanese naval exercises (to July 30). It is the first friendly visit by a Japanese warship in 71 years. Kurama will participate in celebrations of the Russian navy's third centenary. The former Japanese Imperial Navy destroyed the Russian Baltic Fleet at the Battle of Tsushima in 1905, which was vital to its victory in the Russo-Japanese War and the first time – in the modern era – that an Asian power beat a European one.

Public holidays

Malaysia, Peru, Syria, Egypt, Kuwait, Morocco, Tunisia (depends on sighting of the moon).

Compiled by Simon Strong.
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ECONOMIC DIARY

Other economic news

Tuesday: As the markets digest the implications of the recent downbeat economic data from Germany, they will have fresh information this week about the state of Europe's economy.

French industrial figures for May will be watched closely: most economists expect them to show some growth.

And the Confederation of British Industry's survey could provide clues about the state of UK manufacturing. Although recent surveys have been downbeat, a British Chambers of Commerce report last week pointed to some upturn.

Wednesday: UK June retail sales data are expected to show further healthy growth.

Thursday: French consumer prices are expected to show a small monthly fall. German producer prices are also expected to be subdued, reflecting the weakness of activity.

Friday: Japanese consumer prices, by contrast, are expected to point to a slight annual rise in June, as opposed to the deflation recorded the previous month.

Preliminary UK second quarter GDP data is likely to point to continued steady growth.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	US	June Treasury budget	$27bn	-$53.3bn
July 22	Canada	May wholesale trade*†	0.6%	-0.8%
Tues	US	Mitsubishi index	-	
July 23	US	June export price index	-	0.4%
	US	June import price index	-	-0.5%
	US	Johnson Redbook wk end July 20	-	-0.2%
	Japan	May coincident index	20.0%	25.0%
	Japan	May leading differential index	66.7%	55.6%
	Japan	3rd qtr BOJ qtrly economic report	-	n/a
	UK	July CBI qtrly industrial trends	-	n/a
	Canada	June leading indicator*†	0.5%	0.6%
Weds	UK	June retail sales*	0.8%	-0.1%
July 24	UK	June retail sales**	2.3%	2.0%
	Canada	May int C$ securities transactions	C$2.0bn	C$2.9bn
Thurs	US	June durable orders	-0.2%	3.4%
July 25	US	June durable shipments	-	1.9%
	US	June existing home sales	4.2m	4.26m
	US	M1 week ended July 15	-$4.3bn	-$13.8bn
	US	M2 week ended July 15	-$3.3bn	$2.2bn
	US	M3 week ended July 15	-$2.5bn	$13.8bn
	UK	May global visible trade	-£1.3bn	-£1.3bn
	UK	June ex-EU visible trade	-£800m	-£834m
Fri	Japan	July consumer price indx Tokyo**	0.4%	-0.1%
July 26	Japan	July CPI Tokyo ex-perishables**	0.2%	0.2%
	Japan	June CPI national**	-0.1%	0.3%
	Japan	June CPI national ex-perishables**	0.2%	0.2%
	Japan	June retail sales**	0.1%	-1.0%
	UK	2nd qtr gross dom prod prelim***	0.6%	0.4%
	UK	2nd qtr gross dom prod prelim**	2.0%	1.9%
	Canada	June industrial prodn price index*	0.3%	0.5%
	Canada	June raw materials price index	-1.6%	-0.9%
	Canada	May fix-weight employee earnings**	2.0%	2.0%
During the week...				
	Japan	July trade bal (1st 10 days) nott	-	Y184bn
	Japan	June supermarket sales**	-	-0.2%
	Japan	June department store sales**	-	1.7%
	Germany	June prod price indx pan-Germany*	0.0%	0.0%
	Germany	June prod price ind pan-Germany**	-0.6%	-0.5%
	Germany	July Hesse cost of living*	-	0.0%
	Germany	July Hesse cost of living**	-	0.9%
	Germany	July Baden Wuert cost of living*	-	0.1%
	Germany	July Baden Wuert cost of living**	-	1.1%
	Germany	July Nord Rhine Westphalia COL*	-	0.0%
	Germany	July Nord Rhine Westphalia COL**	-	1.3%
	Germany	July Bavaria cost of living*	-	0.1%
	Germany	July Bavaria cost of living**	-	1.1%
	Germany	July preliminary COL, West*	0.2%	0.0%
	Germany	July preliminary COL, West**	1.1%	1.2%
	Germany	June import prices**	0.8%	0.7%

*mth on mth, **yr on yr, ***qtr on qtr, †seas adjust

Statistics, courtesy MMS International.

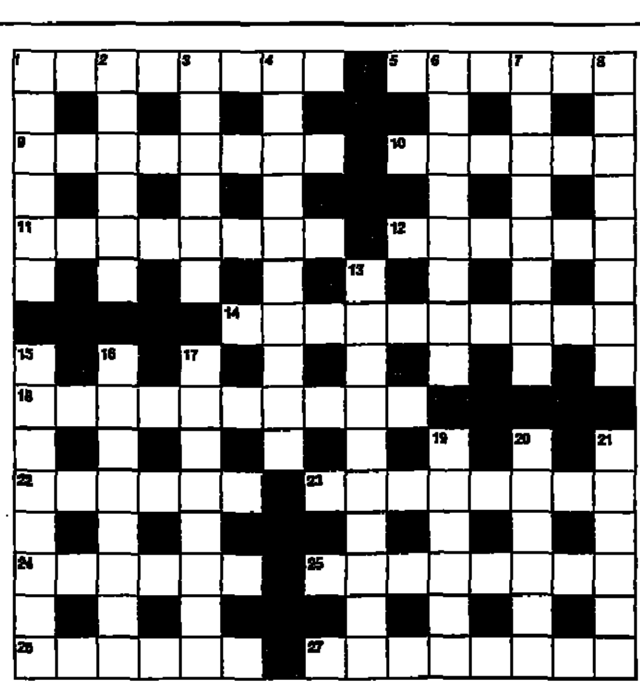
MONDAY PRIZE CROSSWORD

No.9,126 Set by GRIFFIN

A prize of a Pelikan New Classic 380 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday August 1, marked Monday Crossword 9,126 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday August 5. Please allow 28 days for delivery of prizes.

Name..........

Address..........



ACROSS

1 Beetle badly damaged by one road (5)
5 A battery-powered vehicle at sea (6)
9 Plants need to be transplanted so I began (8)
10 In the Republic of Ireland a politician's domain (6)
11 Reveal record drop (8)
12 Spotted speed maniac I imprisoned (6)
14 Grown-up Lawrence takes a long time to corrupt (10)
18 Appear badly in need of an entertainer (10)
22 Seed made about ten ill (6)
23 For about a month gamble with illness (8)
24 First round piece fits inside very big circles (6)
25 Wire back if having to complain (8)
26 Talk about parking spot with companion (6)
27 One picking up industrious hill-dwellers for dinner? (8)

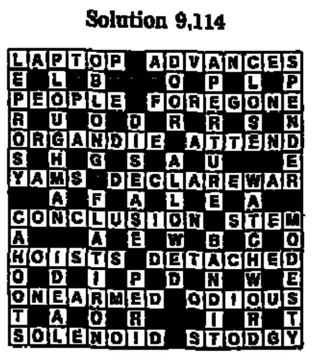
DOWN

1 After 50 I offer love and sexual desire (6)
2 Magazine on archaeological examination is overseas (6)
3 Blunder, putting "Cork, 1/2 mile" (6)
4 Compositions are for harp so changed ends (10)
6 Went angling this morning, admittedly very hungry (8)
7 New railing collapsed under duck! (8)
8 They may be pressed to get things moving (8)
13 Machinery moved into a wooded area (10)
15 Need to work in ship producing shellfish (8)
16 So let it be clever to be acquiescent (8)
17 A doctor at ICI swims by the sea (8)
19 Wins a new title, making some mad (6)
20 Strip joint street (6)
21 Joker Jasper starts terse broadcast (6)

Winners 9,114

A. Rogers, Bath
J. Caminer, London SW14
M. Gardner, Kirk Michael, Isle of Man
A. Newman, Kingston upon Thames, Surrey
M. Robinson, Lichfield, Staffs
Lesley Ward, London W4

Solution 9,114



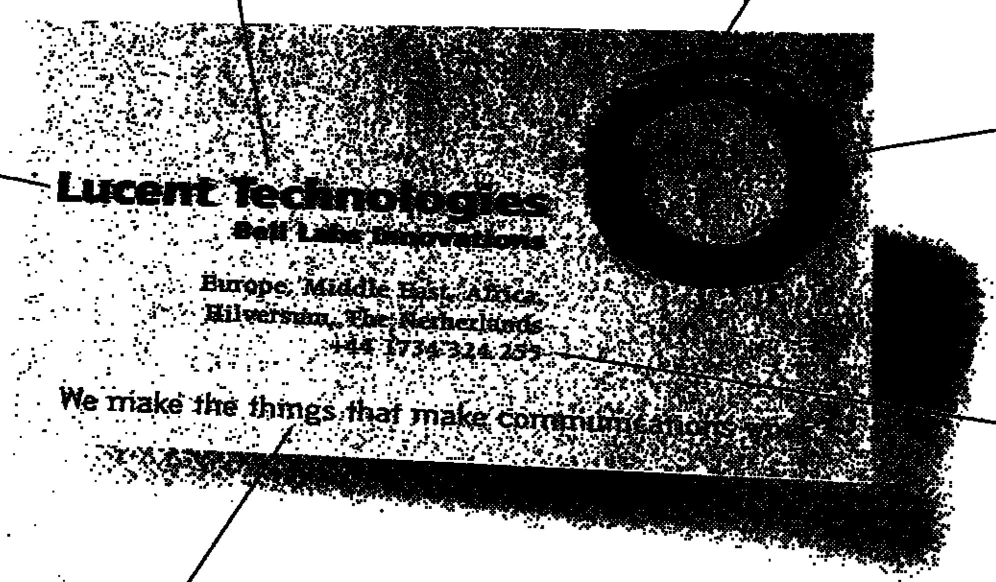
JOTTER PAD

new company

new logo

new name

new color (red)



new number

(former systems and technology businesses of AT&T, plus Bell Labs, with 125 years experience in making the things that make communications work)

THIS WEEK

Talk of soap and dope shakes sumo

A seismic rage has shaken the plump guardians of sumo wrestling, Japan's holy national sport. The sumo establishment, said to be nobly discreet or plain fusty, depending on your viewpoint, is furious at unholy allegations, from the top ranks of sumo itself, of tax evasion, match rigging, bath-house hanky-panky, dope smoking and consorting with gangsters.

It has all thrown an unwelcome shadow over the purity of a sport which began with the origins of Japan itself in 23 BC and remains an important part of Shinto ritual, even national identity. Aspiring wrestlers rise, like monks, just after dawn and vow to practise courtesy in their personal lives as well as on the sacred ground of the *dohyo* ring.

They must practise extreme obedience, failing which the mountainous wrong-doer must bow before his stable master – trainer – to receive a crack on the head with a stick.

At ceremonies, wrestlers from the top division, or *yokozuna*, are privileged to wear a heavy white rope belt, copied from the rope that hangs from the gate of a Shinto shrine, to symbolise their status as servants of guardian spirits.

The source of the fuss is the Shukan Gendai, or Weekly Post, one of Japan's hundreds of colourful tabloid magazines, of varying unreliability but enduring entertainment value. For once, the Post appears to have firm information.

Provocatively, the magazine chose the start of the Nagoya tournament, which ended yesterday, to reveal that sumo's most prestigious group of wrestlers, the Futagoyama stable, was being investigated by tax authorities for alleged under-reporting of income. Futagoyama fighters have won each of the past seven tournaments.

The stable's most famous wrestler is Takanohana – all fighters go by single names – who was yesterday fighting to retain his place as grand champion against Haiwaiian-born Akebono, from a smaller stable, who has just returned to formidable form after a knee injury.

DATELINE

Tokyo: the sacred wrestling establishment has been rocked to its ample foundations by weighty allegations of profanity, writes **William Dawkins**

Neither is personally implicated. The tax inquiry is only the latest stinging revelation from the Post. Earlier this year it published a series, cataloguing sumo corruption, written by one with real clout in the sport: Ohnaruto, a retired wrestler turned trainer. Ohnaruto used to be a *sekiwake*, the third of sumo's 11 ranks.

His most damaging claim, vigorously denied by the Japan Sumo Association, the sport's governing body, is that match rigging is common. Ohnaruto accused 29 of the 40 wrestlers in the top division of cheating: buying and selling match results to avoid personal demotion.

Ohnaruto also detailed a startlingly un-monastic lifestyle among the acolytes. For example, to relax after being thumped by their trainers, wrestlers were said to repair to "soap lands", to wallow in hot baths with young female assistants; paid to execute a particularly thorough wash. One wrestler was said to smoke marijuana: shocking even among non-wrestlers in Japan, and again denied by the JSA.

Ohnaruto did not survive his revelations for long. By what seems like a black coincidence, he and his manager, Seiichiro Hashimoto, another conspicuous critic and deputy head of a sumo supporters' club, both died in April, within three hours of each other, in the same hospital, both of complications from pneumonia. The pair had planned a press conference, three weeks later, to publicise their claims, and Ohnaruto had received anonymous death threats.

The Post speculated on a mafioso "lip-sealing exercise" but the police are adamant there is no cause for suspicion.

Whatever the truth, Ohnaruto's claims lived on after his death, in the form of a book, issued the following month. The JSA hit back with suits for criminal libel against publishers of both book and magazine. But the book, *Match Rigging*, published by Rokusaisha, has now sold 120,000 copies and the Post has continued to explore alleged sumo corruption.

Sumo veterans know that a little discreet fixing has been going on for years, though it has never been the cause of such bitterness until now. Andy Adams, editor of the magazine Sumo World, believes that *yaocho* – match fixing – has been around since the early 17th century, when professional sumo began.

"Traditionally, the sumo establishment's attitude is that *yaocho* is OK so long as it doesn't get too blatant, so long as it is confined to people at the bottom of the [sport]," he says.

The usual trick is to fix the final bout of a tournament. Wrestlers must complete 15 bouts per tournament. If they fail to win a majority, they risk demotion. That brings a cut in salary and the fringe benefits that can account for 90 per cent of a wrestler's income.

So a wrestler with a seven-bout losing streak will ask his colleague to let him win the deciding eighth. He would be expected to return the favour in cash or kind on another occasion. The stakes are so high that the temptation to cheat is understandable. Top wrestlers earn Y1.32m (£7,800) per month in salary alone. The dream of every ambitious wrestler is to be rich enough on retirement to buy one of the 105 shares in the JSA, each worth about Y500m, according to Adams. Only JSA shareholders can run a stable, receive an income from the association and a slice of wrestlers' winnings.

Occasionally, the JSA does crack down on *yaocho*, as it did in the 1970s when it annulled two bogus victories by one wrestler, who had to retire as a result. Adams reckons that rigged matches are as frequent as they were 20 years ago. But this is the first time a retired senior fighter has challenged the system.

If match rigging is not new to sumo, neither is a robust attitude to paying tax. Wrestlers receive much of their income in cash. A top-ranker can expect to receive Y200,000 or more simply for allowing his supporters' club – typically composed of senior businessmen or politicians – to take him out to dinner. Patrons pay even more for the privilege of having their photographs taken with the champion of the tournament.

Like so much of Japanese life, sumo has two levels: an ancient ritual on top of a business as worldly as any other.

PEOPLE

Big ideas that bridge the gulf

Hormoz Sabet believes in the long-term project, writes **Raymond Snoddy**

American-Iranian businessman Hormoz Sabet may be a busy man but he always puts aside at least an hour a day to read the newspapers. Many of the projects that have made him a multi-millionaire have been stimulated by something that Sabet has read in papers such as the Financial Times, the Wall Street Journal, the New York Times or numerous trade publications.

Seven years ago, he read about a fibre-optic cable being laid between the US and Europe and remembered someone once telling him that fibre optics would have a revolutionary impact on the future of communications. He wondered whether anyone had ever tried to lay a fibre-optic telecommunications cable to the Middle East.

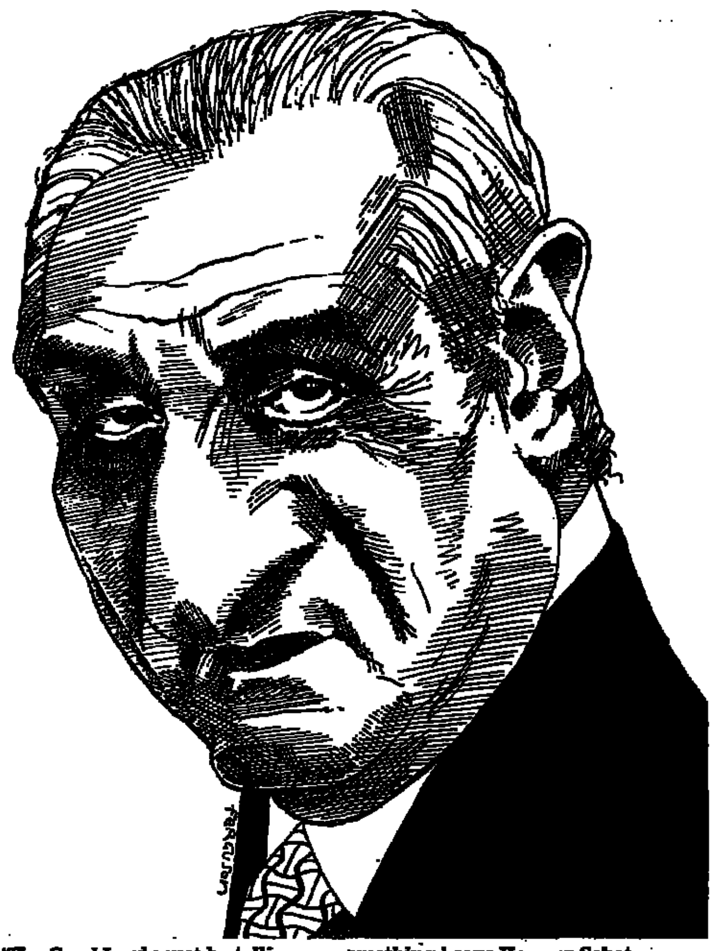
"The Good Lord must be telling me something," said Sabet, a devout believer in the Baha'i religion which teaches that the world is one country and mankind its citizens. He decided to invest $100,000 (£64,000) in a feasibility study for laying a fibre-optic telecommunications cable to link the Middle East with the world's leading business centres. In September 1997, that vision will become a reality when FLAG, the Fibre-optic Link Around the Globe, is commissioned between Europe and Japan. The $1.8bn cable, capable of carrying 600,000 telephone conversations, will touch the Middle East including Saudi Arabia and the Gulf states, Africa and Asia – and eventually circumnavigate the globe.

Gulf Associates, his New York-based company, now has only a tiny stake in the FLAG project – though the company has been well rewarded with an 800 per cent return on an investment of several million dollars. The main funders included Nynex, the US telecommunications company now merging with Bell Atlantic, Dallah Al Baraka Group, the Saudi banking group, and the Marubeni Corporation of Japan. Sabet has already moved on to other projects. "I see myself as a person of vision. I want to be a creator," he says.

His latest interests include the application of modern communications technology to medical diagnosis, particularly for remote communities in the Middle East. Telemedicine uses links such as FLAG and techniques such as teleconferencing to transmit detailed medical diagnostic data from remote regions to doctors in the main international centres.

Doing the same for education is another enthusiasm, as is creating a new Middle East and North Africa fund to try to persuade "high net wealth" friends and organisations to invest a small percentage of their assets in developing the infrastructure of the region. "What we specialise in is product and project development for the area where we have expertise – the Middle East and North Africa, parts of India, Pakistan and Turkey," says Sabet who will be 60 next month.

His father was a carpenter and truck driver in Iran but when the family came to the US in 1941 it survived in New York by buying and cleaning second-hand clothes and exporting them to Iran. It was the start of a conglomerate which eventually employed 10,000 people in Iran in a wide range of manufacturing activities. Gulf Associates set up Iran's first commercial television stations and introduced soft drinks and desalinisation plants to the country.



'The Good Lord must be telling me something,' says Hormoz Sabet

Sabet and his family were abroad when the 1979 revolution broke – he believes fortunately, since other Baha'i businessmen did not survive the Islamic revolution.

Loans in America backed by personal guarantees and intended to be serviced by money from Iran had to be paid off – leaving the family with only a couple of million dollars. Around 80 deals later Sabet estimates Gulf Associates, the Sabet family's private company, is now worth between $40m and $50m.

As a Baha'i he prefers not to invest in defence industries, alcohol or gambling but sees no conflict between making money and encouraging worthwhile projects. The best way he believes of lessening world conflicts is to use the fact that people always have "a receptive ear" to making money and that is something that transcends nationality. And he has lawyers on permanent retainer seeing whether there is any way of regaining, or winning compensation for, the family assets seized in Iran which he believes are now worth $1bn.

"If not me then my sons. If not my sons then my grandsons or granddaughters," says Sabet. As a man who admires patience and believes in long-term projects, he is prepared to wait.

NAMES IN THE NEWS

Levin's place in the Warner legend remains secure

When his takeover of Turner Broadcasting is complete, Time Warner chief Gerald Levin will go down as the only player at the table who never blinked, writes Christopher Parkes in Los Angeles.

The more Levin was told by newspapers that US regulatory terriers were poised to chew up the deal, the more stolidly he insisted it would go through. The more he heard that US West, his cable television partner, was going to block the merger, the less he listened. A US West lawsuit has now been reduced to an organisational side-issue which Levin hasn't time to deal with – not since last week's approval in principle for the TBS purchase.

Levin is a living, breathing denial of the showbusiness saw that it takes charisma, if not pizazz, to run an entertainment company. He is a quiet, occasionally tongue-tied lawyer with that most lawyerly of qualities: a killer instinct. He showed it in late 1995 when he fired Michael Fuchs, one of his closest lieutenants, only six months after installing him as head of Warner's music business.

If, as some say, the flouncy style of the showbiz individualist has no place in today's media corporations, then Ted Turner, founder of TBS, may be advised to seek a niche within the new organisation where eccentricity might not be noticed.

That such crevices exist is one of the criticisms tossed at Levin. Time Warner is no seamless empire illuminated by the sparklings of creative and corporate synergies. Its structural weakness was underscored by the temerity of US West, a relative pipsqueak, which felt no qualms about taking on its partner. However busy Levin may be sewing up his big deal, eventually he will have to reach some accommodation with this bothersome associate, which happens to own 25.5 per cent of one of his most important entertainment divisions.

Before that, Levin has to close the TBS deal, absorb the newcomer and complete the same job with Time Inc and Warner. Observers remember how Hollywood howled (and how the group's shares rose) at the news of Fuchs' firing.

That event allowed Levin to blend compatible studio and music operations into a one-stop shop with integrated management. If Levin can produce more of the same, Hollywood's howls will sound like music on Wall Street.

Beware, Renault's affable Schweitzer

No one is calling for his head, but the knives could be sharpening for Louis Schweitzer, amiable chief executive of Renault, writes Haig Simonian in London. After seven days from hell last week, during which Renault's market share and equity price seemed to be in free fall, Schweitzer must hope the next week treats him more kindly.

Renault said its share of the European new car market dropped to 9.7 per cent in the first half of 1996 from 10.6 per cent last year. That started a rout in the share price. Plunging share prices are not good PR for France's privatisation programme, and Renault's performance is by far the most leaden of any such stock.

All that is unlikely to fluster Schweitzer, whose humanity and apparent modesty belie what is usually said and written of the products of France's *grandes écoles*.

He argues that matters will come right for Renault as more versions of the new Mégane range come on the market and other key cars are refreshed. But the urbane Schweitzer, a great nephew of the famous doctor and philanthropist, should take care. Such estimable attributes do not necessarily win friends in the cut-throat motor business, as the fortunes of John Towers, the ex-Rover boss and another affable thinker, showed.

Campbell alters the Courtaulds formula

Gordon Campbell, the new chief executive at Courtaulds, is as different from his predecessor, Sipko Huismans, as can be imagined, writes Jenny Luesby in London. But they share one thing: both grew up as operational managers within the UK chemicals group.

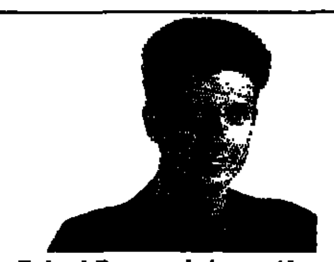
Campbell is a chemical engineer who joined Courtaulds in 1968 from university. He is affable, open and strikingly ordinary, with a knack for finding neat, sensible solutions to practical difficulties. Campbell also finds detail absorbing, in absolute contrast to Huismans, a visionary of the passionate kind, intent on big ideas and the grand scheme.

Huisman's legacy at Courtaulds is Tencel, a wonderfibre made from wood pulp, which analysts suggest might be as important as cotton by 2020. The technology behind Tencel had languished for years before Huisman happened upon it and made it his own. However, Tencel is now the only business within Courtaulds with big growth potential.

The way ahead lies in getting the best from the rest. The group's largest businesses are acrylic and viscose fibres. In these it is a world leader, but both fibres are past their heyday and beset with overcapacity.

Courtaulds also specialises in industrial coatings and packaging. Here, growth will come through regional expansion.

If there is a weakness that has been left unaddressed by this change of style, it is marketing. "Courtaulds has lost out in the past through its lack of customer focus," says one analyst. "The hope is that we will now see a No 2 appointed with some flair for marketing."



Robert Chote · Economics Notebook

Interest rates still flout all the rules

A model which will correlate rates and objectives remains a pipe dream

As Federal Reserve chairman Alan Greenspan gave his Humphrey Hawkins testimony to the US Congress last week, highly paid economists around the world listened intently for any hint or nuance which might give an insight into the great man's thoughts on the future path of interest rates.

Economic policymaking obviously remains as much an art as a science when analysts have to spend so much time deconstructing central bankers' sentence structures to predict what they will do. It would be so much easier if economists could devise a simple rule telling policymakers and the public what interest rate would deliver the authorities' objectives.

It is not that they have not tried. Economists have long argued over the relative merits of setting interest rates according to rules or discretion. Purely mechanistic regimes are unusual, but in Britain alone money supply targeting, exchange rate targeting, inflation targeting and pure discretion have been tried during the last 20 years with varying degrees of failure.

One of the latest wheezes is the "Taylor Rule", devised by John Taylor of Stanford University. This links the level of short term interest rates in a mechanistic way to the amount of spare capacity in the economy and the divergence of inflation from its target rate.

Alan Blinder, the former Fed vice-chairman, speaks highly of the rule, while various central banks and finance ministries have investigated it. Its principal proponent in the UK is Gavyn Davies, chief economist at Goldman Sachs.

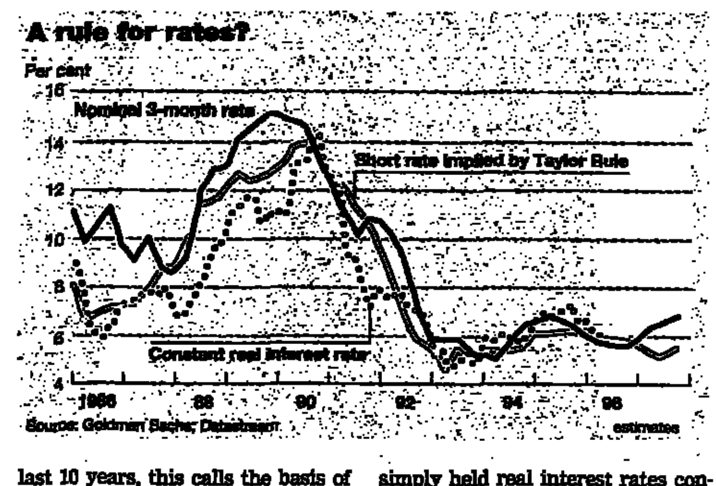
The Taylor Rule starts by setting a "neutral" real rate of interest, which Goldman Sachs estimates at 2 per cent for the US or 3.5 per cent for the UK, France or Germany. If inflation is above target then short-term real rates are *increased* by half the excess of inflation over its objective. If economic activity is running below potential, then rates are *reduced* by half the "output gap". Finally, to move from a real rate to the nominal rate relevant for policy setting, you add in the expected rate of inflation.

What does the Taylor Rule say about the current level of UK interest rates? Underlying inflation is now 0.3 percentage points above target at 2.8 per cent, while Goldman Sachs estimates that national output is 1.25 per cent below potential. According to the Taylor Rule, these conditions suggest that real short-term interest rates should be half a point below their neutral level at 3 per cent. Expected inflation is also about 3 per cent, so this implies that base rates should stand at 6 per cent – pretty close to their actual level of 5.75 per cent.

But this calculation is spuriously precise. If you plug in the full range of current output gap estimates held by the chancellor's "six wise people", then the level of base rates implied by the Taylor Rule could be anything from 5 to 6.75 per cent. As UK interest rates have been within this range throughout the last 3½ years, the rule does not really tell us much.

It is also unclear whether the Taylor Rule seeks to describe how interest rates have been set in the past or to prescribe how they should be set in the future. Perhaps both. But as Davies says: "If the reader believes that policy has not been optimal in practice over the last 10 years, this calls the basis of the rule into question."

A rule for rates?



Source: Goldman Sachs; Datastream

The Taylor Rule does appear to describe interest rate setting fairly well in the US, Germany and Japan, with little evidence that it either underestimates or overestimates rates systematically. It works much less well for the likes of France and Italy, where interest rates have been used to target the exchange rate more than inflation.

As for Britain, the Goldman Sachs economists argue that the Taylor Rule offers "a first approximation to the policy setting behaviour of the UK authorities". But the Treasury and Bank of England appear to put more weight on inflation and less on the output gap than the Taylor Rule suggests.

The UK Treasury has also carried out its own internal studies. These suggest that the Taylor Rule has worked reasonably well in explaining interest rates since 1982, but that a naive policy rule which simply held real interest rates constant throughout the period would have worked almost as well.

One of the key assumptions of the Taylor Rule is that the authorities are always influenced when setting interest rates by the degree to which inflation diverges from its target level. But this has been challenged by Athanasios Orphanides and David Wilcox of the US Federal Reserve, who have outlined what they call an "opportunistic approach to disinflation".

Imagine that inflation is not too high, but still above the authorities' long-term target. A conventional policymaker would raise interest rates, thereby squeezing economic activity and pushing inflation down towards the target. The opportunistic policymaker would not take deliberate anti-inflation measures, but wait for external circumstances – such as a fall in oil prices or an unforeseen recession – to do the job.

Laurence Meyer, appointed as a Fed governor by President Bill Clinton, said in March "this strategy calls for the Federal Reserve to patiently support a continued expansion at full employment and at the trend rate of growth. When the next recession arrives, whatever the timing, inflation will ratchet down another notch. This strategy gradually and at low cost lowers inflation over time until price stability is achieved."

Orphanides and Wilcox argue that central banks might behave in this way because the economic costs of stable, slightly above-target inflation are distributed widely through the population. The costs of reducing that inflation may leave most people relatively untouched, but they bear harshly on the minority who lose their jobs.

The opportunistic approach seems entirely sensible, as long as policymakers remain determined not to allow unfavourable shocks to ratchet inflation higher. Having said this, inflation is only as low as it is now in the UK because monetary policy was so tight in the early 1990s. This in turn was a result of the high inflation of the late 1980s. So sometimes things have to get worse before they get better.

That illustrates a long-standing feature of central bank behaviour: they have multiple objectives and concentrate on the one or two which are furthest from their desired state. It may look untidy to advocates of rules, but as Princeton's Ben Bernanke has pointed out, central banks may feel more threatened by a public perception that some aspect of the economy is "out of control" than by a record of generally mediocre performance.

A morphing moment: Arnold Schwarzenegger and James Cameron with the eponymous robot's skull from Terminator 2: Judgement Day

Pirates scour digital domain

Demand for special effects artists outstrips supply, writes **Alice Rawsthorn**

Like many other companies, Digital Domain has a flag flying above its headquarters, but the symbol on its flag is distinctly different from the usual run of corporate logos. It is the Jolly Roger.

Digital Domain, founded three years ago near Venice Beach in California by a consortium including the IBM computing group and James Cameron, the *Terminator* director, is typical of the new wave of technology-led companies that is transforming the US entertainment industry. Its corporate spirit is well described by the Jolly Roger.

After starting in business as a digital effects laboratory, providing film directors with frighteningly realistic alien creatures and disaster scenes, Digital Domain is now diversifying into the production of CD-Roms. Eventually, it will move into feature films. It sees itself as a role model for the digital studios which it expects to compete directly against the Hollywood film establishment.

James Cameron's enthusiasm for digital effects dates to the late 1980s when he commissioned the visual effects for his film, *The Abyss*, from Industrial Light & Magic (ILM) in northern California. ILM was founded in 1975 by George Lucas, the *Star Wars* director, when, in protest at the Hollywood establishment, he left Los Angeles to live and work at his 2,600-acre Skywalker Ranch near San Rafael.

His work at ILM was critical in replacing the hand-made models and drawings of traditional special effects with sophisticated computer-generated images. *The Abyss* and Cameron's next film, *Terminator 2: Judgment Day*, were two of his most successful early experiments.

Cameron soon wanted to have his own effects laboratory. He joined forces with Scott Ross, one of his ILM collaborators on *Terminator 2*, and Stan Winston, a model-maker who won an Oscar for his work on that film, to open such a laboratory, with IBM as a financial backer.

Steve Fredericks, Digital Domain's chief operating officer, says they were convinced that there was scope for a rival to ILM, particularly for one based near the Hollywood studios in the Los Angeles area, rather than hundreds of miles away in San Rafael.

"We also felt there was a technological opportunity, as things were changing so fast that it would be more efficient to start a new facility from scratch than to re-equip one," he says.

Digital Domain was launched in April 1993. IBM owned 50 per cent of the equity, with the remainder divided equally between Cameron, Ross and Winston. Five months later it moved into a Frank Gehry-converted warehouse in Venice Beach, originally the headquarters of the *Chiat Day:Mojo* advertising agency, to start work on Cameron's *True Lies*. It then accepted other projects, including *Interview With A Vampire*, *Strange Days*, *Apollo 13* and commercials for Nike and Mercedes.

Demand for computer-generated effects has risen steadily in the three years since Digital Domain's formation, fuelled by technical advances and the commercial success of effects-laden movies such as ILM's *Jurassic Park* and *Apollo 13*. Digital effects are now a standard component of big budget films, pop videos and commercials where they create bizarre environments, such as *Waterworld*'s futuristic sequences, or dramatic scenes like the typhoon damage in *Twister*.

Digital Domain faces fierce competition for commissions not only from ILM, now working on the *Jurassic Park* sequel, but other laboratories, including Rhythm & Hues, the company behind *Babe*'s talking animals. Hollywood studios, notably Sony and Warner, have also set up digital effects facilities.

All these companies are competing for staff, specifically for the "digital artists" who create the effects. The field is so new that demand for talent exceeds supply. More than 100 of Digital Domain's 425 staff are digital artists, mostly recent art school graduates in their mid-20s. Steve Fredericks describes finding new staff as "our biggest problem".

If all goes well, the company hopes to expand its workforce to 500 by the end of this year, but it has to work hard to prevent existing staff being poached. One digital artist defected to Warner and staged a moonlight raid on the Jolly Roger flag.

Digital Domain produced specially designed T-shirts emblazoned with a mangled version of Warner's Bugs Bunny as an "exchange". Usually, the company relies on more orthodox measures, such as salaries up to $150,000 (£96,153) for its digital artists, and share options. Yet Fredericks says its main allure for its employees is the range of work it offers.

Feature films are still the core of Digital Domain's business, providing 65 per cent of last year's revenue. The company is currently working on Luc Besson's futuristic epic, *The Fifth Element*, James Cameron's *Titanic*, and *Dante's Peak*, a thriller starring Pierce Brosnan.

The thrust of its future development will be production. This spring, it brought in Cox Enterprises, the US cable television company, as a 29 per cent investor, because of its long-term interest in supplying entertainment directly to homes. IBM also now owns 29 per cent, as do Cameron, Ross and Winston. The rest is owned by employees.

The first stage of its production strategy will be a move into CD-Roms this autumn, starting with *Barbie Fashion Designer*, which it is bringing out as a 50:50 joint venture with the Mattel toy group. The company then intends to tackle the Hollywood studios head-on by moving into film production next year. Its first project, *Avatar*, will use *Toy Story*-style photo-realistic animation techniques.

"We started off as digital effects specialists, but the business plan was always to create a digital studio," says Steve Fredericks. "Ownership is the name of the game for us. There's no point in just being another content supplier."

Tim Jackson

The death knell tolls for junk mail

When I used to work from an office, the first hour of my day would often be consumed by opening the mail. Not that I received many real letters. Most of the correspondence consisted of dull press releases that could be binned instantly, but had to be opened to make sure they were not something more important.

Now that I work from home, things are different. When companies ask me for an address to which they can send press releases, I offer my e-mail address. And when they explain that they don't use e-mail and ask where I live, I reply tartly that in the industries I cover, any organisation that doesn't have access to e-mail is unlikely to have anything interesting to say.

I probably receive more junk mail than I did at the office, but it all arrives electronically. Yet instead of having to rip open dozens of brown A4 envelopes each morning, I simply scan the list of incoming messages and zap those titles that look dull without troubling to read the text. In some cases, as with GPT Communications, a persistent company that sends a press release every time it wins the most insignificant contract, I have set up my mailing to zap the messages automatically before I even see them. The result is that it now takes only a few minutes to check a larger volume of incoming mail.

When its environmental advantages are thrown in, it seems clear that electronic junk mail is greatly preferable to paper junk mail. The only argument against it is the telephone charges incurred as the unwilling recipient has to download it to a PC from an Internet service provider. But these charges, probably 0.1p per message at peak rates, are a small price to pay for the added convenience.

Unfortunately, most Net users seem to disagree with me. There is a strong and frequently expressed revulsion for companies that trouble consumers with electronic junk. This feeling is so strong that many Net users are unwilling to provide personal details when they look at Web sites, for fear that the details will be used to send them junk e-mail.

The problem has been exacerbated by a wish on the part of Web site owners to find out who their users are. Many sites now require "registration": although they do not charge an access fee, they force users to give their names, addresses, telephone and fax numbers, occupations, job titles, ages, and so on. There is clearly a risk that the irresistible cannonball of companies' thirst for information will hit the immovable post of users' unwillingness to give that information – and that the growth of electronic commerce will be slowed as a result.

Earlier this month, the industry began to do something to break the jam. An ad hoc group of companies in the Net business has set up a project called eTrust with the aim of providing an audited certification system for electronic privacy. What this means in practice is that a Web site subscribing to the scheme will display icons, rather like the rocking chairs or dogs that one might see in a Michelin guide, indicating what the owners of the Web site do with information they obtain from users, and how they keep it secure.

The project is a great idea. In many cases, companies make their data protection policies clear on their Web sites, but it takes time to find the information. The icons will provide a standard that allows consumers to get the information they need in only a second or two.

But there is an advantage to the system that its backers seem not to have thought of yet. One of the greatest inconveniences of using the Web is the fact that the registration process takes so long. There are often 20 or more questions to answer, and even a fast typist can find it takes five minutes or more, during which the phone bill may be ticking away, to fill out the electronic form. To make matters worse, many companies (particularly British ones) have badly designed forms that can only be completed to the satisfaction of the computer on the second or third attempt.

With a certification system in place, the notion of registration could change. Net users can type all their personal information into their PCs just once, and can then specify to their browser software which parts of the information to release, to whom. Without having to make case-by-case decisions, a user might decide, for example, that his home phone number is only to be given to companies from which he has bought something that is to be shipped by FedEx, and only if the company promises not to use the number for any purpose other than confirming delivery details.

That may sound like high-tech wizardry. Actually, it would be simple to implement by making a small change to the existing system of "persistent client-side cookies" covered in this column at the start of this year. Cookies allow up to 300 small files to be stored by companies on their clients' computers.

If this idea were to be put into practice, the tiresome process of "registering" at a Web site could disappear for good.

A small improvement to the quality of life of Net users? Certainly. But this is just one of many incremental improvements that are likely to make electronic commerce increasingly cheap and convenient.

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Cyber sightings

● With the Olympics well under way, there's a plethora of sites to check out offering results, news, images, gossip and background. Here are a few of the best: IBM's official site (*www.atlanta.olympic.org*) is equalled by Big Blue's site for the next gathering, Sydney 2000 (*www.sydney.olympic.org*). Being based in the home of the games has its advantages, as proved by CNN (*http://CNN.com/SPORTS/OLYMPICS*) – careful, it is case-sensitive – and the Atlanta Journal-Constitution (*www.atlantagames.com*); while AT&T's site (*www.olympic.att.com*) has nice rotating images and their Olympic Museum Tour is worth checking out too. Of course, all is not entirely sweetness and light, so for an exploration of the controversy surrounding the Georgia state flag, try *www.avana.net/pages/personal/superman/flag.htm*

● The Japan Information and Cultural Centre at the Japanese embassy in London has put up a nice site (*www.embjapan.org.uk*) with useful information on working in Japan and relevant cultural events in the UK.

● *Yahoo's new quotes service* (*http://quote.yahoo.com*) covers most elements of US markets news. Concise, well-structured and simple to use.

● A case of champagne is on offer in Business Monitor's new Fantasy Fund Manager game, available at their site (*www.businessmonitor.co.uk*), which also has coverage of corporate finance, markets and economic analysis.

● The UK Independent Financial Advisers' Association (*www.ifaa.org.uk*) is full of good information on that sector, with a password-protected members' forum.

● The US Department of Energy is funding CoNDUIT (*www.sme.org/conduit*), a technology reinvestment project aimed at enhancing skills and improving training links between industry and the college sector. Well worth a look if you are involved in engineering or training.

● If you are interested in urban mass transit, New York City's Metropolitan Transportation Authority (*www.mta.nyc.ny.us*) is a good example of a functional, public-service site, with lots of solid passenger information.

● The Investment Research Institute (*www.options-iri.com*) is worth a look if you are in options trading or research. It offers a daily market commentary – with special emphasis on high-tech stocks. The Top 10 Trades feature is cool.

● The Law Source (*http://thelawsource.com/index.html*) is a wide-ranging source page for the US legal profession, provided by the publishers of the Internet Legal Guide. It has a well-organised set of links.

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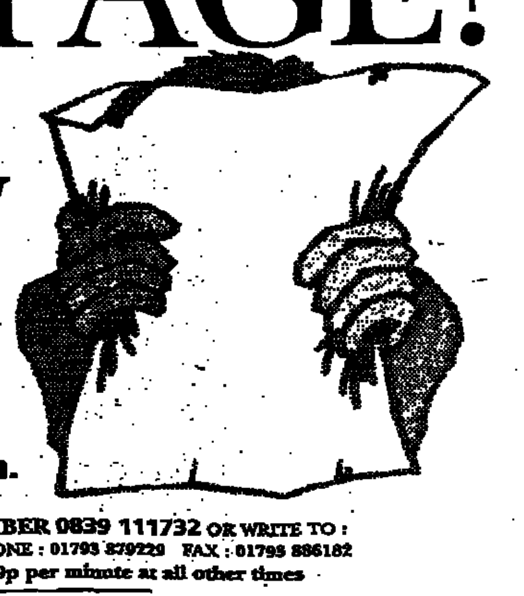


A fresh outlook at the top

Japan's new breed of corporate president is placing greater emphasis on sales and marketing, writes **William Dawkins**

Some of Japan's biggest industrial companies are putting a new kind of person into top management, for reasons which throw much light on how their business outlook is changing.

It used to be that the typical corporate president was an engineer, who owed his success to two things: an intimate knowledge of and faith in the company's products; and close, almost familial, membership of the domestic management club. Marketing skills and international experience were seen as important, but secondary.

There have always been exceptions – such as Sony's now ailing and retired Akio Morita, the Japanese managerial prophet of globalisation. But now, as shown by three top appointments in the past year, the exceptions are proving the rule.

The reign of the domestically focused Japanese engineer is not exactly over – but it is gradually giving way to a new generation of international top managers, who place greater emphasis on sales and marketing.

Latest of the new breed is Taizo Nishimuro, 60, former head of Toshiba's multimedia-related businesses, who was chosen last month, over nine more senior colleagues, to become the first non-engineering president of Toshiba, the electronics to power generation leviathan, in 10 years. He cut his teeth as a salesman and has almost no experience of the heavy electrical activities which form the core of Toshiba's business. In its 120-year history, Toshiba has only put three non-engineers in charge.

Other examples of the new breed at the top include Hiroshi Okuda, last year appointed president of Toyota, a sales expert who pioneered his company's US expansion, and Nobuyuki Idei, who became president of Sony, also last year, after five years in advertising, marketing and communications, and the choice of London-born and Harvard-educated Minoru Makihara to head Mitsubishi Corporation four years ago.

Their rise, says the most experienced of the new breed, reflects the globalisation of their companies' markets, now decreasingly centred on Japan, and the acceleration of technological change. "Technologies are now moving so fast that it is impossible for the top manager to know all the details. Companies are now looking for generalists who can understand the broad changes, delegate and provide leadership," says Makihara.

Nishimuro personally embodies several changes in policy at what used to be a bastion of traditional Japanese management. As well as a more international outlook, this includes faster and tougher decisions, and the growing importance to Toshiba of electronics, on top of engineering. At the same time, he is rooted in Japanese management traditions

Nishimuro personally embodies, as well as promotes, several changes in policy at what used to be a bastion of traditional Japanese management. As well as a more international outlook, this includes faster and tougher decisions, and the growing importance to Toshiba of electronics, on top of engineering. At the same time, he is rooted in Japanese management traditions.

His human qualities merit examination because they illuminate Toshiba's future strategy – and perhaps that of others which have made similar management changes.

The personal style of Nishimuro, an unusually tall, straight-talking Confucian scholar, does not mark a complete break with the past, but rather a gentle shift to new priorities. When asked if he will bring a change in management approach, he laughs, self deprecatingly, in a booming base voice. "The management change which was already taking place in Toshiba resulted in my appointment," he replies.

The main thrust of that change, he explains, is a shift in emphasis from product development, formerly at the heart of Toshiba and its top people, to marketing. Of course, both are vital, he emphasises. "But product development has to be led by marketing. In other words, product developers cannot stand alone. The direction of product development has to be led by marketing."

Led by the market, he estimates that the proportion of Toshiba's sales devoted to information technology, communications and semiconductors will rise from the present 54 per cent to 65 per cent in the next 10 years, helped by the launch of digital video discs, scheduled for this autumn. Other consumer products and heavy electrical gear – the origins of the business – take up the rest.

Nishimuro stresses that he does not want to "de-emphasise" the value of Toshiba's core engineering business, but he points to the shifting balance of business as an example of how markets are taking the lead in this formerly production-led company.

In some ways, he is a typical Toshiba president. Like many others before him, Nishimuro has worked there all his career, since leaving prestigious Keio University with an economics degree in 1961. But he has more international experience than most, thanks to 14 years in sales and marketing in the US, where he is credited with having returned three loss-making units to the black. He picked up fluent English as a student, doing a vacation job in a Canadian lumber factory.

And yet at first meeting, Nishimuro comes over as the archetype of a resilient, single-minded Japanese manager, by instinct and training from early childhood.

From the moment he could read, at the age of five, Nishimuro's father made him study Confucius for half an hour every morning before breakfast. From this experience, he derives his management motto: "To have the wisdom to recognise our own mistakes and the courage to correct them." Confucian humility colours his attitude to almost everything. Disarmingly, Nishimuro recalls that he has had to correct "so many" personal mistakes. But there is a hard subtext: he expects colleagues to do the same.

Nishimuro believes his Confucian training helped him pull off his first big project as a salesman. It was, he says, the most formative experience of his career.

As Toshiba's first components salesman in the US in the mid-1960s, Nishimuro was trying to sell television tubes to a mid-west electronics company. He made an appointment to see the potential customer's vice-president at 9am, but was humiliatingly kept waiting until the late afternoon. All 20 salesmen waiting in the lobby had been given a 9am appointment. "It was miserable," he recalls.

Then, he was told that the company wished to see a representative of all divisions of Toshiba – then little known in the US – rather than a mere components salesman. The young Nishimuro replied that that could be arranged, but in the meantime he had been granted an appointment to present television tubes and wished to be heard. Impressed, the US executive listened, laughed and eventually placed a substantial order.

The lesson? "Endurance," says Nishimuro simply. He has never forgotten it. "As head of Toshiba, it is important to keep your memory of the past."

Nowadays, rather than studying philosophy before breakfast, he rises at 5.15am to drink a glass of vegetable juice and perform 125 press-ups (he raised this from 120 on celebration of becoming president). The regime is reminiscent of the philosophical warrior manager of popular myth.

But on arrival at the office at 7.30am, the new manager takes over from the archetype, and Nishimuro's first task of the day is to read e-mail from colleagues, a rarity in Japanese companies. It is a useful management tool, he says, though Nishimuro wishes his e-mail correspondents would be less deferential, a reminder that his mission to establish a more open management style will not be quick or easy.

But the mission to update the Toshiba blueprint goes much further than wishing to exchange frank cyber-chat with colleagues and extends to a reassessment of the shape of the business. Nishimuro has embarked on what will be a "continuous" review of Toshiba's sprawling – critics say unwieldy – empire, stretching from the manufacture of ball bearings for the US space shuttle, to air conditioners, power stations, semiconductors and personal computers.

The aim is to focus more tightly on Toshiba's core strengths, which Nishimuro lists as basic semiconductor technology, integrated systems, visual communications and power generation. "As long as I am in this position, there will be no end to the reviews," he says, recalling the traditional Japanese management principle of continuous self-improvement.

That means, he says, forming more international alliances in sectors where there are stronger competitors or even pulling out of areas where Toshiba is weak. He confirms, with unusual clarity for a top manager in consensus-based Japan, that there will be closures. "But they will take place quietly. In this Japanese environment, we must do this gently and patiently," says Nishimuro.

This is not new to Toshiba, incidentally. Three years ago, for example, it pulled out of unprofitable audio products in an attempt to reverse a three-year slide in profits, from which it has since recovered.

Forming alliances and resolving weaknesses go together, he says, once again revisiting philosophical roots. "We have to be more humble, to evaluate our strengths so that we can better appreciate the strengths of others," says Nishimuro.

Internal management change will, of course, be needed to support the change in the shape of the business. First, Nishimuro wants to improve the speed at which Toshiba reacts. In common with other large Japanese companies, Toshiba has tended to be slow to formulate ideas, because of the need to win agreement from the multiple layers in the management hierarchy, though quick to implement decisions, once they are made.

Just before he took over, the group eliminated the jobs – of course without making redundancies – of deputy department heads and section chiefs to speed up communication with top management. The next stage, says Nishimuro, will be to encourage employees to move more widely between divisions, rather than as in the past between jobs in the same division.

In line with his international outlook, Nishimuro wants to bring foreigners, for the first time, on to the Toshiba board. "Before I quit this post, I hope to have one, two, three or even several foreigners on the board," he says. The nationality of future foreign board members is not of primary importance. The crucial thing, he says, is to bring new angles to the board's view of Toshiba's business.

Few Japanese companies of this size have appointed foreigners to the inner sanctum, apart from Mitsubishi Corporation last year and Sony, that perennial pace-setter of Japanese management, seven years ago. The message from the latest in the new breed of Japanese company presidents is that the mould is changing subtly, but irreversibly.

Siemens keeps it in the family

To many outsiders, Siemens, Europe's biggest electronics and electrical goods business, seems like a lumbering giant. That is not the way it appears to Manfred von Raven, head of Siemens Automation, one of the company's 14 divisions.

The automation unit has annual sales of about DM7bn (£3bn), out of the DM88bn company's sales. According to von Raven, the advantages of the divisional structure lie largely with the opportunities for exchanges of ideas between Siemens' different parts.

He believes this outweighs any disadvantages of having what some might take to be the large and unwieldy Siemens organisation whose range of activities includes power engineering, domestic appliances, car components, semiconductors and computers.

Von Raven, based in Nuremberg, smiles at the notion that, were Siemens a UK or US company rather than German, it would by now have succumbed to the vogue for "unbundling" and been separated into its component divisions. Siemens executives have mulled over proposals for a break-up "but it came to nothing". There are, he says, so many good things to come out of the Siemens association, that breaking up would be foolhardy.

The automation division covers a range of activities from letter sorting software to [illegible] controls. Standardised products, such as programmable controllers or machine tool controls, account for only about 65 per cent of the division's sales, down from 85 per cent six years ago. The division has to be quicker in learning about new concepts, as more of its activities concern software and customised services for organisations which can be anything from farms to pharmaceutical plants.

Roughly four fifths of the division's sales (and a similar proportion of its 16,700 employees) are in Germany. But the figure will decline to nearer 60 per cent by the end of the century, says von Raven, as Siemens continues its drive to internationalise.

In this changing environment, the automation division has more to gain from being part of Siemens than being out of the family. While the company's strong balance sheet gives it financial muscle, he says one of the most compelling reasons for keeping the Siemens family intact is its common links in technology.

Learning new ideas can come through job rotation; people move around Siemens and discover new facets to different industries.

Also, says von Raven, DM1bn of the division's annual sales comes from the unit doing work for other parts of Siemens. For example, Siemens managers and consultants in automation systems have picked up useful concepts which they can use in other areas of their work, from Siemens colleagues in areas such as semiconductors.

The final justification for the continued bundling of Siemens, says von Raven, is the way the group can act together in some of its international activities, especially in places like China which present short-term operational difficulties but where the long-term business potential is vast.

In China Siemens has a total of 33 joint ventures, with more on the way. "The organisation that we have established there is a considerable help to other parts of Siemens which are moving in," says von Raven.

Peter Marsh

Is performance-related pay worth it?

Lucy Kellaway

How would you like it if details of everybody's pay and bonuses were posted on the office notice board so you could see exactly who was getting what? Unless you have a screw loose, or unless you work for a company where pay levels follow a strict formula, I expect you would not like it at all.

But according to Steven Kerr, who holds the curious position of "chief learning officer" at General Electric, all companies should follow this practice. From anyone else such a hair-brained scheme could be dismissed out of hand, but given the admiration GE commands in management circles (it has had more glowing case studies written about it than any other company with the possible exception of ABB) the idea deserves an airing.

Writing in the current issue of Fortune magazine, Kerr argues that if you give someone a $1,000 bonus in secret, then the total number of people you motivate is between zero and one. That may be true, but it does not follow that by publicising the bonus you motivate those who have not got one. Instead the total number of people you motivate is closer to minus 100.

More plausibly, he says that if nobody knows what their colleagues are getting paid, rumours will get out of control. And as surveys show that people tend to feel everyone else is better paid than they are, the net effect of publishing pay information is likely to be reassuring.

That sounds like wishful thinking. If you published a pay league table all hell would break out. Human nature is such that it is far easier to demotivate people than to motivate them. Thus if you discover that you are paid more than two of your peers you may briefly feel good, but that effect will vanish the minute you discover that another colleague – who you had always regarded as a complete dolt – is paid more still. Equally, when the second year's pay league table goes up on the notice board you are bound to find still more cause for upset. In isolation you might have felt quite happy with your bonus, but when you discover that your relative place has slipped back, any positive effect vanishes.

It is true that rumours about other people's bonuses have a bad effect on morale. It is also true that publishing pay levels may be a good idea, but for a different reason. The uproar might force the company to reconsider whether it should be rewarding people in this way in the first place. If performance-related bonuses cause so much bitterness when made public, the answer may not be to keep them secret but to drop them altogether.

Still on performance pay, do we really have to call the new long-term incentive plans "L-Tips"? The name sounds like the things we cleaned our ears with until the medical profession told us that we would do better to leave our ear wax alone. Moreover, an initial followed by a word has an old-fashioned sound to it (G-Plan, A-Line, G-Spot etc). Most inappropriate of all, the word "tip" usually refers to the extra quid or so that you give to the cab driver, or the shilling you leave on the saucer for the lady who brought your tea – not the millions of pounds that the bosses of United Utilities stand to get if they can get their "L-Tip" past the shareholders.

Management experts and writers have traditionally made rather heavy weather out of the subject of leadership – they have come up with at least 70 rival definitions of what a leader is. But children seem to have no such difficulty. In the July/August Harvard Business Review, in a section titled "Strategic humour", they asked children to draw what "leadership" meant to them. The best picture is of two people on horseback, one in front of the other. "If you follow me, I am the leader," it says. Just so.

I have been sent a promotion pack inviting me to "Lighten up!" by buying a poster with a cartoon and a jokey little message about punctuality, absenteeism, waste, etc. The pack contains the usual sort of thing, with messages from delighted customers: "They show my people I have a sense of humour," says a bespectacled man in a grey suit. (They show nothing of the kind, but that is beside the point.) What caught my attention was "research" that purports to prove how essential these posters are. Quoting "a recent university study" (it didn't say which) the pack states that motivational posters increase "general satisfaction levels" by 18 per cent and productivity by 10 per cent.

These laughably untrue "facts" seem to be becoming widespread in the marketing of gimmicky management products, books and seminars. This might be something for the Advertising Standards Authority. On second thoughts, managers stupid enough to believe that they can improve motivation by buying a poster don't deserve protection. They deserve the sack.

In the light of Wafic Said's £20m gift to Oxford University, **Della Bradshaw** considers business school fundraising

A taste of immortality

From Fuqua to Wharton and Kellogg to Katz, in the US business schools have been eager to adopt the name of generous benefactors in order to rake in the cash. Sitting somewhat uneasily among the likes of Simon, Sloan, Stern and Smeal is the latest business school benefactor, *Wafic Said*.

The decision by Said to give £20m to the School of Management Studies at Oxford University – to be renamed the Said Business School – puts the Syrian-born entrepreneur in the top league of business school benefactors.

A decade ago it took a donation of just a few million dollars to persuade a business school to put a benefactor's name in lights. Twenty years ago schools were often simply named after notable local business people.

"It's amazing the huge sums of money that are being given these days," marvelled the spokesperson for one major US business school. "I guess these people must be just trying to buy immortality."

Even in the US, which has a far longer tradition of this form of sponsorship, £20m is a figure to be drooled over. It has outstripped the recent donation of $30m (£19.2m) given to the Graduate School of Business at Babson College, in Massachusetts – now called the Franklin W. Olin graduate school of business.

In the UK, Said is clearly setting the pace. Sir Paul Judge gave £8m to Cambridge University to set up the Judge Institute and Oxford's Templeton College received just a little more than £7m in two tranches from Sir John Templeton.

Oxford is largely unrivalled in business school terms in being able to draw in £27m from just two benefactors. Indeed, the university was able to exploit its idiosyncratic college system to enable it to name two planks of its business education infrastructure – a college and a school – after different benefactors.

The donation has been welcomed throughout the business school community because it raises the stakes for potential benefactors and raises the profile of business as an academic subject. "It sends the right signals," confirms Claire Pike, secretary-general of Insead, the international business school, in Fontainebleau, near Paris.

With a universal move away from government funding for graduate management education, UK institutions are not alone in looking for sponsors. In the past year two of Canada's 28 business schools, at the universities of Western Ontario and York, have succumbed to the trend. But in return for re-naming their schools each received only about half of Oxford's £20m. In the US only Harvard, Chicago and Stanford among the big name schools have retained their names and brand images.

Of Said's £20m, which requires "matched funding" – the university has to raise a further £20m in order to get Said's money – the lion's share will pay for the construction of a building in central Oxford.

Buildings, especially executive centres, have proven particularly popular in the US for would-be benefactors who cannot afford – or are not able – to endow the whole school.

The University of Virginia business school, for example, was dubbed the Darden school in the mid 1970s after Colgate W. Darden, who trailblazed business education there. So when local magnate Thomas Saunders recently gave $10m (£6.4m) the school agreed to name the spanking new centrepiece building on the Darden site as the Saunders Hall and promised to name an executive centre after him as well.

For those who cannot afford even to endow a building, professorial chairs are the next rung down on the ladder. Scanning down the faculty list of any business school reveals the extent of the practice. At London Business School 25 out of the 110 academics are funded, all but one in the name of a company or institution.

In the US between a third and a half of all faculty hold funded positions, mostly in the name of individuals – or even husband and wife teams.

This odd ritual is not restricted to the lower echelons of business school staff or the more lowly under-funded schools. Perhaps the most famous dean of all, Donald Jacobs, Kellogg's long-standing dean at Northwestern University, who revels under the name of America's "dean of deans", should, it appears, be more properly referred to as the Gaylord Freeman distinguished professor of banking.

The pound in your pocket

Course fees and corporations keep the wheels turning

Twenty million pounds may sound like a huge sum of money, but it does not go very far when it comes to running a modern business school.

It costs about £1m to fund a professorial chair, with the accruing interest paying the professors' wages. An endowed scholarship costs around £400,000 to set up.

A relatively small school, such as London Business School (LBS), spends £6m a year on academic wages alone, and a further £4m on buildings and premises.

Most fundraising involves talking a large number of organisations into giving a small amount of money

While the gift from a single large benefactor makes headline news, most fundraising involves talking a large number of organisations into each giving a small amount of money.

Insead, in Fontainebleau, near Paris, announced an aggressive fundraising campaign last September. Its plan was to raise FFr700m (£87m) of fresh capital over five years to fund research at the school.

So far Insead has raised FFr240m including FFr200m of pre-launch funds.

The money has come from individuals, alumni and corporations, with a higher proportion of the money coming from companies than you would expect in the US, says Claire Pike, secretary general at Insead.

The funds have enabled Insead to employ nine extra faculty members for the forthcoming academic year, including seven professors.

The big source of revenues is fees. This is particularly true for younger schools, such as Fuqua at Duke University, where the alumni have neither the financial nor corporate clout to endow chairs or buildings.

Last month Fuqua started its first global executive MBA programme, with each of the 45 students paying $75,000 (£49,000) to join – an upfront income for Fuqua of nearly $3.4m.

BUSINESS TRAVEL

Travel News • Roger Bray

South China warning

Sexual harassment is becoming a hazard for business travellers in southern China. Approaches may be followed by extortion, warns the UK Foreign Office, and sometimes by threats of violence from accomplices claiming to be police officials.

Anyone suspecting a trap should insist on seeing credentials, check them carefully, and refuse to sign anything they do not fully understand.

Meanwhile, drugged food and drink is a risk in Bulgaria, where violent robbery has been on the increase, particularly on trains and around the main railway station in Sofia.

Promise on airfares

There is only one way fares across the north Atlantic will move: down. Thus British Airways' chairman, Sir Colin Marshall, reassures those still sceptical about the impact of BA's proposed alliance with American Airlines.

According to American Express, business-class fares between the UK and the US have risen an average of 10 per cent over the past year. Already Europeans buying seats in business cabins have been lumbered with bigger increases than those flying first or economy. Amex says prices between Europe and north America rose faster than on other routes – by an average of 9 per cent.

Prime site for hotel

A new Peninsula Hotel is planned for a site near Sydney Opera House. Subject to regulatory approval, it will be built on land between the ferry terminal at Circular Quay and the Botanical Gardens.

The aim is to open the finest hotel in Australia in time for the 2000 Olympics.

More routes for Virgin

Richard Branson's new low-fare airline, Virgin Express, is to launch new scheduled daily services linking Brussels with Geneva and Copenhagen. Fares on the two routes will start at BFr2800 (£57.50).

Jakarta service hitch

Politics has delayed the start of a proposed new air link between Seattle and Jakarta which was due to start this month.

Northwest Airlines wants to fly to the Indonesian capital via Osaka, which would have cut the present journey time by up to eight hours. But Japan has refused permission for Northwest to operate the service under what the airline claims are its historic intra-Asia traffic rights.

In the hope that all this bickering ends by then, Northwest has pencilled in October 1 as the new start date for its Jakarta service.

Music in Berlin

Time off in Berlin? The city is making a virtue of necessity this summer by turning its building sites into outdoor concert theatres.

With the government and parliament moving in from Bonn by the end of the decade, more than 300 projects are thought to be under way, including more than 60 new hotels. Not content with offering guided tours of developments such as those on the Potsdamer Platz, once a wasteland, the city is drowning out the clang of scaffolding with entertainment from opera to Cuban salsa. Until August 25, musicians, singers and comedians are performing on 10 stages at construction sites along the Friedrichstrasse, for example, and at the Brandenburg Gate.

Among those appearing is the Batseheva Dance Company from Tel Aviv. Visitors can pick up information from the Infobox on the southern side of Leipziger Platz.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	28	28	29	29	29
Hong Kong	31	31	31	30	31
London	29	26	[illegible]	24	[illegible]
Frankfurt	27	27	23	23	23
New York	28	27	29	31	31
L Angeles	28	29	26	26	34
Milan	28	28	27	28	29
Paris	31	29	25	25	26
Zurich	26	27	23	22	24

Information supplied by Meteo Consult of the Netherlands

A Peruvian hotel's surprise stars

Roger Bray describes a revival of travel to Latin America

A Peruvian businessman is proposing to open a five-star hotel in Lima with a dolphin pool in the lobby, a bizarre project that provides, nevertheless, vivid evidence of a resurgence of travel to Latin America in general – and Peru in particular – which has put heavy pressure on room prices.

Economic revival and the softening of the terrorist threat from rebel group Shining Path has brought business and leisure travellers flooding back to the Peruvian capital.

Occupancy rates in the city's luxury hotels have been hovering around 90 per cent, making Lima's rooms some of the most expensive in South America. Average rates now range from $180 to $250 a night, according to Ely Garcia, Latin American regional director of international hotel experts Horwath Consulting. "Prices have shot up since the economic turnround and are now parallel with those in Buenos Aires and São Paulo," he says.

One UK travel company specialising in flights and tours to Latin America reckons hotel rates in Lima have risen by up to 70 per cent. An important reason for pressure on prices is that the South American "grand tour", taking in Brazil, Argentina, Chile, and the Inca sites of Peru at Machu Picchu and Cuzco, is back in vogue.

Peru is regarded as largely safe again, Chile has emerged from under its dark cloud of political unacceptability, and memories of the oppression in Argentina are fading.

The recently announced alliance between American Airlines, which dominates the market between North and South America, and British Airways, which will feed European passengers on to American's flights, can only increase the pressure on hotel rates.

Encouraging news, however, is that there has been a countervailing boom in hotel building. Optimism about the future for hotels in the region was reflected in a report last year from the Economist Intelligence Unit, which predicted high rates of growth in Peru, Chile and Colombia, and steady advances in Brazil. Prospects for Argentina were poorer, it said.

The 250-room Lima hotel, Los Delfines, which looks set to stir up controversy among wildlife conservationists, is not the only imaginative project planned in Peru.

In Cuzco, for example, a colonial-era convent is being converted to luxury accommodation. In the capital, elegant residential property is being turned into boutique hotels. And Oro Verde, a Swiss-owned company based in Ecuador, will open a five-star de luxe hotel there towards the end of this year, according to Garcia.

"Chile is also booming, though hotel development there is not taking place at the same rate as in Peru," he says. Average occupancy rates in luxury properties are close to 90 per cent. Kempinksi, Inter-Continental and Howard Johnson are all developing properties there.

Hotels in São Paolo, Brazil, are fuller this year, and prices are reflecting that, says Ricardo Mader, a partner in Horwath's Brazilian arm.

"A big growth in demand has forced rates up from $160 to $170 last year to between $200 and $240. But development plans should increase the city's total stock of hotel rooms from about 2,000 to more than 3,000."

In Brazil, as in Peru, eye-catching projects are under way. São Paulo's image may it that of a grimy industrial city, but a Brazilian developer is building a palatial 120-room hotel there in a rainforest park. And on the Rio Negro, a tributary of the Amazon, the model "eco hotel" is planned, using materials which harmonise with the surrounding jungle and the latest techniques for waste disposal and energy conservation. It will provide a centre where locals will be trained to work in the catering business.

There is less bounce in Argentina. Ricardo Mader says hotel occupancy has fallen towards 70 per cent.

It is an estimated 2 per cent to 3 per cent below last year, mainly because the country's privatisation process has slowed.

When airlines serve up the unexpected

I have been on 16 flights in as many weeks – perhaps not as many as some globetrotters but enough to keep me away from airports for a time. These flights were in the so-called first world and third world, and were almost exclusively with United Airlines and Iran Air. I expected the two airlines to be different – but not quite in the way that transpired.

I flew United from London to Chicago, Denver, Jackson in Wyoming and San Francisco. The flights across the Atlantic were fine. Even my requests to be upgraded were rejected with a smile. There were no delays and the service and food were reasonable.

United's in-flight entertainment was conventional fare. I know this can be annoying for regular travellers who keep encountering the same movie, or for those unhappily positioned in relation to the screen. But I think it is a much better system than the individual TV screens of which Virgin, for example, is so proud.

Any benefit from a wide choice of programmes is mitigated by the small in-seat screen and its proximity to your face. Moreover, the seats are taller to accommodate the eye-level screens, so that if you have the misfortune to be in an inside seat, you are in a kind of hell-red pit (Virgin's choice of colours) from which there is no escape.

The real disappointment came with United's domestic services, where I was expecting the best of US efficiency, competition and service. Quite the reverse. The interior of the aircraft to Denver resembled a seedy motel room. The seat upholstery was in dismal stripes in worn colours amid a dull grey surround. The telephone and fax were incongruous in such unpromising surroundings, but were invaluable for alerting those meeting me that the flight was delayed.

The food was terrible. One lunch was a hamburger wrapped in silver foil, one snack-pack was a bag of crisps. On another flight I was presented with a bag of tortilla crisps and a little tin for lunch. Pulling the ring-handle revealed a thick black sludge. The description was spicy black bean dip.

I consoled myself with the leaflet congratulating my "smart" choice and giving me the reassuring news that the tin and bag of chips had been "designed by our team of Master Chefs and Nutrition experts".

I have no wish to pick on United in particular, since the experience is typical of most American internal flights, where competition has driven down fares and service. Indeed United was even voted best US domestic airline this year by readers of Executive Travel magazine. The airline says it recognises there is a difference between its trans-Atlantic and domestic services and is trying to narrow the gap between them.

A few days after my return I was back on aircraft, this time with state-owned Iran Air for a three-month visit to that country. Other airlines fly to Iran from Europe, including British Airways and Lufthansa, but I use Iran Air regularly because of its discounted fares.

Things did not start well. The queue waiting to check in at Heathrow extended into the far distance. But there were no queues at all at the airline's first-class desk. For a long time after the 1979 revolution, Iran Air abandoned classes, but it has now reinstated them.

This is the airline of the Islamic Republic of Iran, so alcohol is not served and women are requested to wear headscarves. The airline dispenses with glossy magazines, except on a few flights, and the inflight film will not be a Hollywood blockbuster. But the interiors were bright and clean. Main meals – usually saffron rice with chicken or rice with dill, broad beans and lamb – would always be accompanied by a salad or two. On a one-hour domestic flight from Tehran to the desert city of Yazd, the snack meal was perfect: a piece of cake and a fresh orange.

Overall, the standards of service and food exceeded expectations, particularly since domestic air fares are even cheaper than in the US. The most expensive fare, thanks to Iran's weak currency was £10.

Scheherazade Daneshkhu

SPORT

Future of player power

Freakish-sounding sums are being offered to basketball stars. But there is a pattern at work, says **Michael Thompson-Noel**

If we believed everything we heard, we would think that all big-time sports were deep in trouble. Avaricious sponsors. Piratical media companies. Brass-buttoned (and brass-brained) administrators. Brattish sportspersons enervated by stupendously high earnings and non-stop pampering.

Heard all this? Of course you have. But occasionally the complainant is so distinguished that his words carry authority. Last week, for example, America's Carl "Eight Gold Medals" Lewis, arguably the finest Olympic athlete of all, claimed that athletics was doomed in the US unless those who ran it sharpened their act.

Lewis, 35, was on his way to Atlanta, where he is bidding for an unprecedented fourth consecutive Olympic long-jump gold. He said he did not think US athletics had progressed as it should have done in recent years. Unless it changed, it was "doomed".

Lewis has always been seen as an odd bod – too flighty and glamorous, for one thing, and too selfish and idiosyncratic for his views on sport to have received a full hearing. But it is 12 years since Lewis strutted so provocatively at the Los Angeles Games, where, among other feats, he won the 100 metres by the biggest-ever margin. And his career is virtually at an end. As a result, he is starting to be admired. People are even listening to him.

"I feel like I've put in 15 years in the sport to try to get somewhere and I feel like it is drifting back to where it was when I started," said Lewis. "That is really depressing." Specifically, he attacked college and school coaches, who play significant rôles in American athletics.

Said Lewis: "I'm a professional athlete, but I have to deal with Mickey Mouse college people." The sport needed a new marketing strategy that attracted fans by winning the involvement of top athletes. "We've lost the kids, the fan base. I would not want my kids to be in something that's not progressing. I would want them to be in something that's going to grow, not stagnate." Lewis, of course, is famously single. What he *meant*, he explained, was that he would not want his friends' children to take up athletics.

A top official, Ollan Cassell, reacted sourly. Lewis, he maintained, "should look at his bank account and his garage" if he believed the sport was fading. "He's one of the most respected athletes that we have. But I would think . . . he would like to review where the sport has come from and where it's going. He should look at the last two years, at the media exposure and the spectator attendance. They are better than they were 10 years ago."

Whatever Carl Lewis's career earnings in athletics, they are dwarfed by the money available in American basketball. What isn't? Michael Jordan recently re-signed with the Chicago Bulls for $25m (£16m) to $30m for a single season. Juwan Howard and the Miami Heat have agreed to a seven-year contract said to be worth $98m.

Another Miami star, Alonzo Mourning, is looking at a seven-year deal worth $112m. And Shaquille O'Neal has moved from the Orlando Magic to the Los Angeles Lakers for $120m over seven seasons.

Basketball is usually portrayed as freakish in terms of money deals and player power. But happenings in basketball may foreshadow the way things are going in pro team sports worldwide, including, especially, European soccer.

"I don't have any problem with NBA salaries," says Stan Kasten, president of the National Basketball Association's Atlanta Hawks as well as baseball's Atlanta Braves, calmingly. "It means revenue in the league is good."

For comparison, New England quarterback Drew Bledsoe has the highest US National Football League contract – $42m over seven years – while baseball's fattest contract is Barry Bonds' $44m, six-year deal with the San Francisco Giants. Mario Lemieux, the highest paid player in America's National Hockey League, is getting approximately $49m over seven years at the Pittsburgh Penguins.

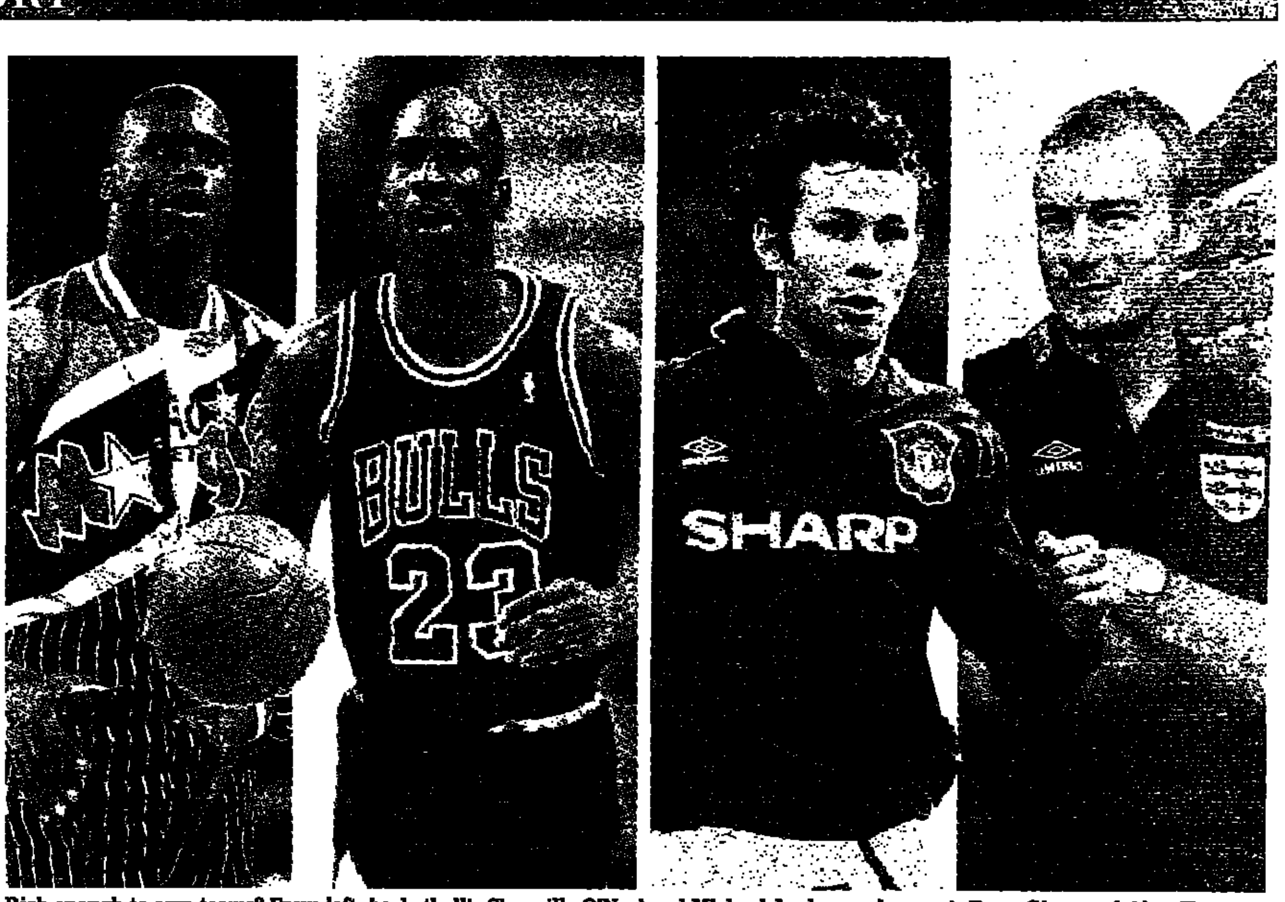
"There's no question that the NBA pot has gone up as the league has prospered," says agent Tom Reich, who represents baseball and hockey players, including Lemieux. "The growth in NBA revenue has been astronomical. Other sports don't have that largesse to split among so few players."

Boxers, golfers and tennis players have topped $10m in annual earnings, much of it accounted for by commercial endorsements. But stars in team sports have never previously seen nine-figure packages.

Claims Kasten: "That is what a good economic system, that allows the [NBA] to function at maximum efficiency, yields. In basketball, there's a connection between salaries and revenue. For every dollar that goes [in] player salaries, it means more than a dollar is coming in. What's happening makes perfect sense."

Bumper sports salaries infuriate countless folk, though not, as it happens, me. I go with the flow. So far as I can see, the latter-day inflation of sports earnings is inevitable and irreversible. It is part of what is happening in cyberspace. TV companies need sport desperately. Indeed, to be sophisticated you would have to view companies that own sports teams as emergent media companies. Sport is media "content" writ large. Increasingly, the companies that own this content will want to broadcast it.

But if salaries in pro basketball are any guide, the people who own the media companies that own sports teams may soon be . . . the players – Michael Jordan and Shaquille O'Neal, or, in English soccer, Ryan Giggs and Alan Shearer. Think about it.



Rich enough to own teams? From left: basketball's Shaquille O'Neal and Michael Jordan, and soccer's Ryan Giggs and Alan Shearer

■ Prices were strong at last week's annual Keeneland July yearling sale in Kentucky. This is the world's premier sale of juvenile racehorses. Prices were never likely to match those of the early 1980s, which were fuelled by a once-in-a-century buying spree by the ruling Maktoum family of Dubai. But last week's Keeneland average price was 42 per cent higher than last year, at $349,880, and the sales total was 26 per cent up, at $58.4m. Four yearlings fetched $1m-plus.

Top buyer was Japan's pony-tailed Fusao Sekiguchi, 60, president of Meitec Corp, a computer software company in Tokyo, who spent $5.8m on seven yearlings. These included the sales topper, a $1.7m bay-coloured colt by Storm Cat. Sekiguchi, a successful owner, said that racing horses adds "dreams and romanticism to life". However, Prince Fahd Salman of Saudi Arabia said he thought Keeneland's prices too high. "You have to be very sensible when it comes to buying."

At present, Japan rules racing's roost. Recently, the Maktoums sold the England-based stallion Lammtarra, winner of the English Derby and Prix de l'Arc de Triomphe, to a Japanese syndicate for a sum not unadjacent to $30m – eye-popping, as 1990s stallion values go.

Last week's Keeneland sales catalogue was available on the Internet three weeks before the printed version. In future, bids may hurtle in from cyberspace. James E. Bassett, Keeneland's director, said that if "confidentiality and integrity of bids can be maintained, then bidding over the Internet is a possibility".

Horse racing is the costliest sport. Quite soon, a virtual-reality version may spring into being. The whole thing – breeding, buying, training, racing, betting and cyberduggery – could be conducted over a global fibre optic network hitched to massively parallel super-computers. Then we could all rub shoulders with the Maktoums and Sekiguchis.

Colin Amery • Architecture

Why Paternoster Square's fate is symbolic

In the 1980s there were sometimes up to 35 cranes stretching their long necks in the sky around St Paul's cathedral, in the City of London. Recently, I counted 14 cranes. Property developers are smiling again.

Around Britain there is more gentle movement, and the government is steering local authorities towards renewal of their town centres and away from out-of-town expansion. New uses are needed for town centres, and it is clear from the cranes that regeneration is now the name of the game.

Where does architecture fit in? The government and planners want better design and I would judge the public mood as one that will be critical of rampant mediocre development. But in company boardrooms there is still a feeling that good architecture is something you tack on to a scheme if you have to.

What no one has really demonstrated is exactly how good architecture affects the bottom line. What is easier to show is how bad architecture can radically alter people's lives.

It is a challenge for architects to add quality to the development equation. I have long felt that what they suffer from is inability to understand the financial world. Their training does not prepare them for commercial activity. In fact, their job should be to demonstrate that good architecture is good business.

In London there is one important site waiting for, and deserving, redevelopment of the highest quality – that old chestnut, Paternoster Square, alongside St Paul's cathedral. If ever there was a site deserving money from the national lottery, this must be it.

Why is a fortune to be spent on a forsaken peninsula in remote Greenwich, well downriver from central London, on a trendy millennium exhibition that no one wants? The proposed exhibition should be scrapped and the funds given to British cities that need intelligent renewal.

Today, the chief representative of Mitsubishi, the Japanese owner of most of the Paternoster site, arrives in London for a presentation of the new proposals for this difficult area. He will be shown a revised plan that attempts to show that commercial viability is just possible providing the site is more intensively developed as offices. The current proposals, which have planning permission, will almost certainly be scrapped.

The presentation will avoid matters of architectural style. No mention will be made of alternative ideas for the site that would encourage mixed uses and bring an urban liveliness to the site. At this rate, Paternoster Square might as well be renamed the Mitsubishi Megastructure. With all its proposed underground servicing, it is really one great big office building.

Is it so unrealistic to hope that an opportunity would be grasped for making the entire area around St Paul's part of an imaginative plan that anticipated the revitalisation of London? London will change dramatically in the next 20 years. The key is to make the heart of it a place where people want to work and live.

ARTS

Experience a second childhood

Jackie Wullschlager welcomes the birth of an exhibition tracing the lives of the very young over the last five centuries

In ancient Rome, infanticide was so common that the most popular manual for parents-to-be was a treatise called "How to recognise a new-born that is worth rearing".

Today's parents, by contrast, pore over childcare guru Penelope Leach's liberal advice and suffer paroxysms of guilt if they leave a baby to cry. One of our favourite truisms, as we congratulate ourselves on the child-conscious 1990s, is that a society is to be judged by how it treats its children.

Yet all the signs of our involvement with childhood – the cult film *Kids*, for example, or the success of Baby & Co, a new consultancy supplying designer baby gifts, or the compulsion of many broadsheet columnists to regale us with details of their domestic lives – suggest that we do not in fact engage with children: we hijack them to glamorise our own adult lives. And so it is that our sense of childhood past, from Phillipe Aries' seminal *Centuries of Childhood* to Lloyd de Mause's controversial pro-1990s *History of Childhood*, fixes not on children but on the history of adult attitudes to them.

A notable exception is the Bethnal Green Museum of Childhood, in east London, with its three recently launched galleries. The first, Birth and Infancy, reopens this week to include exciting acquisitions and a new display which shows the lives and sensatiens of the very young over the last five centuries

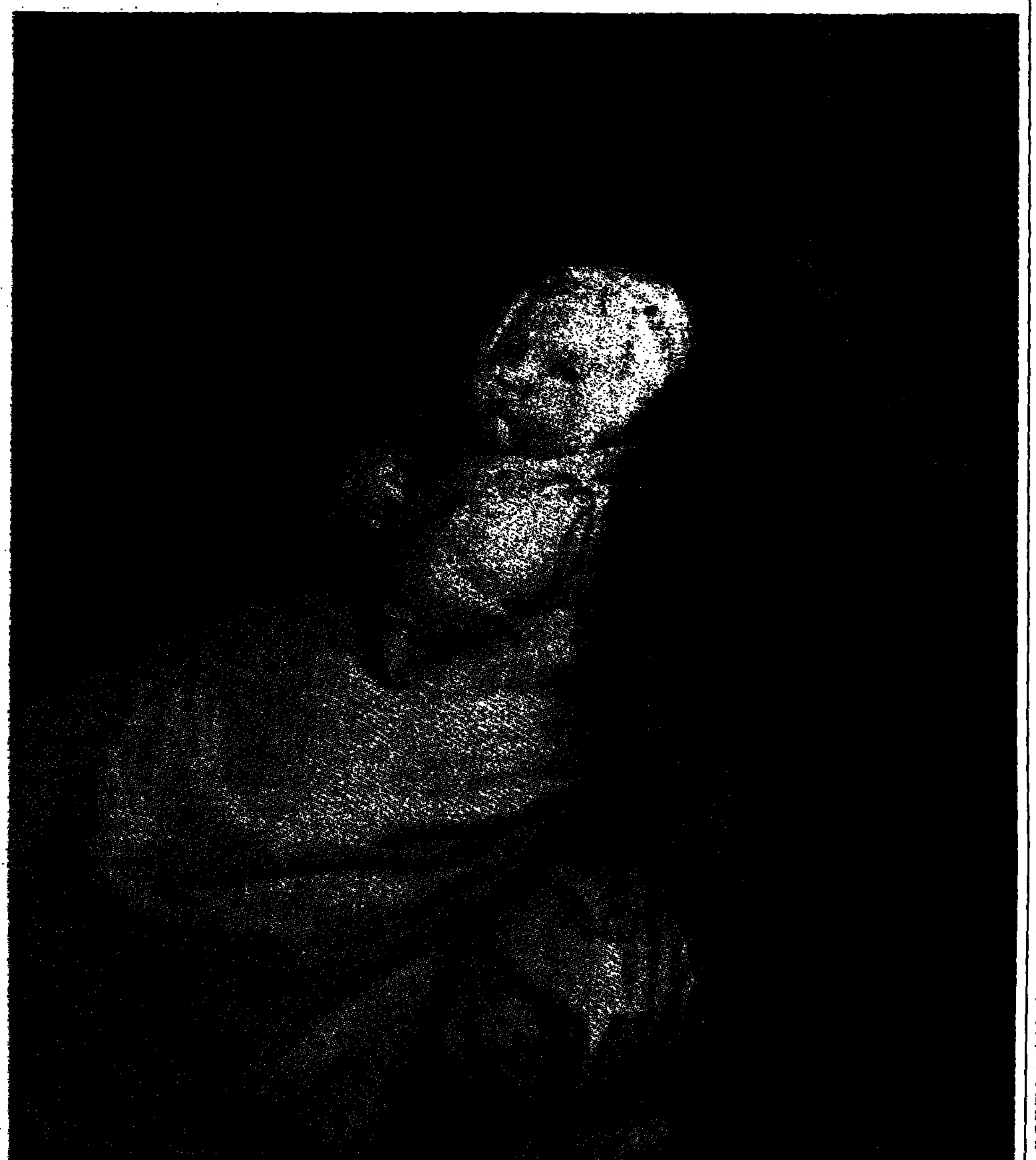
It is hard not to hear echoes of Penelope Leach in the baby-friendly themes – Sleeping, Feeding, Mobility, Health – of the new exhibition spaces. The child-culture they evoke, however, ranges from the idyllic to the horrendous. Take two of the prize items which you first encounter. First, the world's oldest swaddling band, linen and lace, from 16th-century Italy – to keep baby warm, but also to bandage limbs, curb the base instinct "to go down upon all fours as animals do"; possibly even to hang baby up on a wall, like a picture. Next to it, a mahogany and ormulu cradle with a carved swan made for aristocratic Georgian babies. It came with a rocker and a woman was employed 24 hours a day to swing the crib. A rare illustrated birthing manual, Jacobus Rueff's *De Conceptu et Generatione Hominis* (1587), which was distributed free to all Swiss midwives, has inspired one of the more ghoulish interactive displays – models of ancient birthing chairs which visitors can try.

Or you might pop a child on a tiny oak pulpit commode, equipped with miniature chamberpot and with holes bored through the back for straps to tie an infant in for as long as necessary. Early prams – three wheels with an upright seat – look punishing, too. They were retained until 1880, when a law banning four-wheel vehicles from footpaths was repealed.

It is the quirky details which give sudden insights. A child's 17th-century linen shirt, for example, was the focus of a rite of passage. A garment belonging to the parent of the opposite sex was cut down and sewed to form an infant's first shirt; folk tradition held that it would confer sexual attractiveness on the child. Early textbooks with bawdy doodles tell us how much a 16th or 17th-century schoolboy knew about sex. It was not until childhood began to be celebrated as a distinct state, in the 18th and 19th centuries, that deliberate attempts were made to keep children innocent.

Did early parents care much about their children or were they, as Aries asserts, unwilling to invest emotional capital in them because of the high infant mortality rate? Historians are still arguing over this question. A newly discovered 17th-century portrait of a baby from the circle of the English painter Mary Beale is a highlight here and remarkable because it is among the earliest known examples of a baby painted alone, and suggests that before the 18th century parents loved their infants enough to commission expensive likenesses.

Most early portraits of babies depict royal children and are generally adorned with the trappings of wealth and dynasty – medallions, rich adult clothes and jewels. They were often painted to mark childhood betrothals linking two powerful families. This picture, on the other hand, has a rare informality and focuses on the baby's features rather than on status symbols. And the baby's ruddy cheeks make it a celebration of good health which contrasts sharply with the *memento mori* image of one of the gallery's most poignant pieces, a wax effigy of a dead baby prince which a Portuguese family left at a Canterbury coaching inn in the 17th century.



'Portrait of a Baby', a painting from the 17th century, exhibits a rare informality and focuses on the baby's features rather than on status symbols

This display is part of an ambitious scheme towards a permanent History of Childhood exhibition, to include Early Years and Growing Up galleries, for which Bethnal Green is seeking national lottery funds. As it stands, the Birth and Infancy gallery is fascinating but too small and unrepresentative to be anything but a taster. Descriptions are scanty. What is the point, for example, in showing Victorian pin cushions given to mothers after childbirth, without the explanation that during pregnancy women were advised to keep away from pins, which were held by folk custom until the 1920s to worsen the pains of labour? The lack of a catalogue is woeful. And the failure to exhibit any item from the marvellous Renier collection of 80,000 children's books, acquired in 1970 and including a 1585 printing of Aesop's fables and some fabulous first editions of fairy tales, is a scandal.

In 1988, Sotheby's loan exhibition Childhood showed the immense richness of material in this country – paintings, clothes, objects, books – which could contribute to a comprehensive gallery. Manchester City Art Gallery's 1992 Innocence and Experience show, taking the theme up to adolescence, widened possibilities. There is the potential here for a magnificent national museum of childhood which could transform our understanding of social history. Bethnal Green should think big and dynamic, and make it happen.

Bethnal Green Museum of Childhood, London E2, (0181 980 2415).

Gutsy Tina Turner still full of vim

It is a pity that Tina Turner is so famously old. It is impossible not to wonder at all the wrong things: the nimbleness with which she keeps up with her backing dancers at the frenzied climax to 'Proud Mary'; the enormity of the shortness of her dresses, which would challenge the confidence of a 17-year-old, let alone someone 40 years older; the energy she packs into a two-hour, non-stop steam roller of an entertainment which presents rock music at its best – spectacle with emotion.

On the surface everything remains perfectly in place – looks, vim, and that desire to please an audience which has always been her greatest attraction.

There was one tell-tale innovation: a sedentary, semi-acoustic set in which she sings soul classics such as 'You make me feel brand new'. But this was only a temporary hitch to the dirty dancing. And even when she is seated Ms Turner manages to put more life into her performance than a tip load of Tiller Girls.

Soon she is up and roaring through her amazing catalogue – songs like 'Steamy Windows', superficially sordid but transformed by the tremendous fun with which she celebrates her sexual middle age; the mesmeric 'Addicted to love'; and her anthem 'Simply the Best' to which the vast crowd – I have rarely seen Wembley Stadium fuller – was encouraged to sing along endlessly in a threnody of mutual esteem.

To be able to follow this up with the cheerfully debunking 'What's love got to do with it' explains why Tina Turner is constantly building up a global fan club – she now seems to be an important icon for gays. Inevitably she, too, always gets her man, goosing her hunk of a saxophone player and rubbing up against her guitarists.

The vastness of Wembley inevitably drains away some of her personality and there was a worrying sign that she might be succumbing to a bad attack of Shirley Bassey disease – a tendency to mangle her lyrics and to coast along on a provocative pout. And can we always be the greatest audience she has even come across in her roller coaster of a career?

But everything ends happily. Tina Turner has the knack of sending herself up without compromising the music. Few artists would synchronise their act with flickering film of the same song – 'River deep, mountain high' – performed 30 years ago.

Her music perfectly matches her gutsy voice; her stage show is unstinting in its special effects; her musicians are top professionals. It is wonderful entertainment.

Antony Thorncroft

INTERNATIONAL ARTS GUIDE

AMSTERDAM

EXHIBITION
Stedelijk Museum Tel: 31-20-5732911
● A Hundred Photographs: exhibition showing a selection of works from the museum's photography collection by Man Ray, Robert Frank, Ed van der Elsken, Nan Goldin and Nobuyoshi Araki; to Aug 18

BERLIN

THEATRE
Theater am Kurfürstendamm Tel: 49-30-8813020
● Schöne Familie: by Chesnot. Performed by Brigitte Mira and Brigitte Grothum; 8pm; Jul 26, 27 (4pm)

COPENHAGEN

EXHIBITION
The Royal Cast Collection Tel: 45-33 91 21 26
● Inspiration in Plaster. Antiquity and the Danish Golden Age: in the heyday of the Danish Golden Age (1820-1850), the art of painting played an active role in the shaping of bourgeois values and norms. The Royal Academy's collection of plaster casts of Greek and Roman nude statues was an important inspiration for Golden Age artists. This exhibition focuses on the peculiar circumstance that the quasi-religious idolisation of the naked human body by an ancient culture could influence people's attitudes; to Aug 11

LONDON

CONCERT
Barbican Hall Tel: 44-171-6384141
● Orchestre Révolutionaire et Romantique: with conductor John Eliot Gardiner, soprano Charlotte Margiono, mezzo-soprano Bernarda Fink, tenor Michael Schade, bass Franz Hawlata and the Monteverdi Choir perform Beethoven's Meeresstille und Glückliche Fahrt, Op.112 and Symphony No.9 in D minor, Op.125; 7.30pm; Jul 23
Queen Elizabeth Hall Tel: 44-171-9210600
● Eduardo Falu: the guitarist/singer performs Argentinian and Andean songs; 7.45pm; Jul 23
DANCE
Royal Opera House – Covent Garden Tel: 44-171-2129234
● Swan Lake: a choreography by Petipa/Ivanov to music by Tchaikovsky, performed by the Royal Ballet; 2.30pm & 7.30pm; Jul 23
EXHIBITION
British Museum Tel: 44-171-6361555
● David Le Marchand (1674-1726) – An Ingenious Man for Carving in Ivory: exhibition of works by this French-born artist who settled in Edinburgh in 1696. Among the patrons who flocked to him for portrait busts and cameos were royalty, aristocrats, politicians and intellectuals; to Sep 15
Institute of Contemporary Arts – ICA Galleries Tel: 44-171-9303647
● Gabriel Orozco: the first solo exhibition in Britain by the Mexican sculptor. Orozco takes his cues from ordinary, often urban, settings and even more prosaic materials, such as a rubber inner tube, a lumpen ball of plasticine, a tin of cat food or the cap of a yoghurt container; from Jul 26 to Sep 22

LOS ANGELES

EXHIBITION
Los Angeles County Museum of Art Tel: 1-213-857-6000
● The White House Collection of American Crafts: exhibition featuring works by 72 craft artists working in the media of glass, wood, clay, fiber and metals. Artists from all regions of the US are represented, including Nathan Youngblood, Bennett Bean, Adrian Saxe, David W. Levi, Dante Marioni, Dale Chihuly and Suzanne L. Amendolara; to Sep 29

MILAN

DANCE
Teatro alla Scala di Milano Tel: 39-2-72003744
● Ballet National de Marseille: perform the choreographies Il Gattopardo and Coppélia by Petit; 8pm; from Jul 23 to Jul 27

MUNICH

OPERA
Nationaltheater Tel: 49-89-21851920
● La Traviata: by Verdi. Conducted by Jun Märkl and performed by the Bayerische Staatsoper. Soloists include Julia Varady, Silvia Fichtl, Francisco Araiza and Marita Knobel; 7pm; Jul 23, 26

NEW YORK

CONCERT
Avery Fisher Hall Tel: 1-212-875-5030
● Time-Warner Concerts in the Parks: The New York Philharmonic: with conductor Richard Westerfield and Chanticleer perform works by Berlioz, Fauré, Gabrieli and Sametz in Prospect Park, Brooklyn; 8pm; Jul 23
DANCE
New York State Theater Tel: 1-212-875-5570
● Coppélia: a choreography by Maguy Marin to music by Delibes, performed by the Lyon Opera Ballet. Part of the Lincoln Center Festival; 8pm; Jul 22 (7pm), 23, 24 (also 2pm)
EXHIBITION
Guggenheim Museum SoHo Tel: 1-212-423-3840
● Mediascape: the Guggenheim Museum SoHo reopens to the public with this exhibition devoted to multimedia and interactive art. It features 14 works by 10 artists; to Sep 15
The Metropolitan Museum of Art Tel: 1-212-879-5500
● Ancient Art from the Shumei Family Collection: a selection of works from the Shumei Collection. The exhibition features Asian and ancient near eastern works of art and also includes Egyptian, Islamic and Roman objects; to Sep 1

NICE

EXHIBITION
Musée Matisse Tel: 33-93 53 40 53
● Matisse – Bonnard, Une Amitié: exhibition to examine the friendship between Matisse and Bonnard from the 1920s to 1947. The exhibition includes paintings, drawings, photographs and letters written by the artists; to Oct 27

PARIS

EXHIBITION
Centre Georges Pompidou Tel: 33-1-44 78 12 33
● Dessins contemporains du Musée de Bâle: this exhibition shows a collection of contemporary drawings, collected by Dieter Koepplin, the curator of the Kunstmuseum Basel; to Sep 30
● James Coleman: this exhibition shows installations of this Irish artist, and is a part of the cycle "L' Imaginaire Irlandais" that takes place in Paris from May until September; to Nov 18

SAN FRANCISCO

EXHIBITION
SFMOMA – Museum of Modern Art Tel: 1-415-357-4000
● Alfred Stieglitz at Lake George: this exhibition of about 100 works investigates the late work of the American photographer Alfred Stieglitz; to Sep 22

STUTTGART

OPERA
Staatstheater Stuttgart Tel: 49-711-20320
● King Arthur: by Purcell. Conducted by Alan Hacker and performed by the Oper Stuttgart; 7pm; Jul 24

WASHINGTON

EXHIBITION
Corcoran Gallery of Art Tel: 1-202-638-3211
● Thomas Eakins and "The Swimming Picture": featuring Thomas Eakins' 1885 painting "Swimming" (formerly known as "The Swimming Hole"), this exhibition investigates the artist's creative process with preliminary paintings, drawings and photographs; to Sep 8
National Gallery of Art Tel: 1-202-7374215
● Olmec Art of Ancient Mexico: the show provides a panoramic overview of the artistic achievements of Mexico's oldest civilisation and explores their possible significance for Mexican culture. The 128 works on display include 17 Olmec monumental sculptures from Mexico's museums and archaeological parks, such as the spectacular 12-ton Colossal Head from San Lorenzo and the dynamic Wrestler from the Museo Nacional de Antropologia, along with a group of Olmec objects in small scale from public and private collections around the world; to Oct 20

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Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Samuel Brittan

Risk of a cut too far

Another cut in UK interest rates would be a mistake, since the signs are that growth in the economy is accelerating

More harm often arises from a misguided sense of duty than from enlightened self-interest. Kenneth Clarke, the UK chancellor, may be tempted unselfishly to take a risk with his own reputation in a vain endeavour to improve Tory prospects at the next election.

In my Economic Viewpoint of July 18 I warned that interest rates might have to be cut, despite domestic indicators to the contrary, if there was an upsurge in sterling in the run-up to the election. What would be unforgivable would be to make a cut when there is no such upsurge.

There has been a sea-change since the last base rate reduction and a gathering mass of evidence that the slowdown is over and the economy is now taking off. Last Thursday the building societies reported the biggest rise in mortgage lending since the stamp duty holiday ended in August 1992. The broad measure of the money supply is still growing by 10 per cent a year, and the British Chambers of Commerce Survey shows not merely a high level of orders for the service sector but a modest uptick in manufacturers' orders, which have been the lagging sector in the present recovery.

In addition, a continuing unemployment drop has been accompanied by a sharp rise in vacancies – 21 per cent up on a year ago. As Michael Saunders of Salomon Brothers has pointed out, they are now at their highest since 1989 and well above their long-run average; and trends here have frequently signalled a tighter labour market. But perhaps the most persuasive piece of evidence was the purchasing managers' index which rose by three percentage points in June to a level indicating rising business activity for the first time this year.

These dry numbers are supported by plenty of direct experience. The other day I bumped into a British minister outside the circle of those who take part in interest rate decisions. He told me two things. The first was that wherever he went in the country he found reports of rising business activity. A few weeks ago there had been some exceptional blackspots, but these had largely disappeared. The second thing he told me was that he thought there could well be one more quarter-point cut in UK base rates before the summer holidays.

I also had the opportunity to question some London accountants. They all reported not yet a runaway boom, but a rising level of activity and inquiries, in property as well as in the retail trade. But I doubt if Eddie George, the Bank of England governor, would share the pleasure with which they reported that margins were also rising for the first time in this cycle.

The practice of looking at a whole year at a time has blinded people to quite how bullish the Treasury's own summer forecast is. In fact the forecasts show an acceleration from an annualised growth rate of 2 per cent in the first half of this year to one of 3½-4 per cent in the second half. For the first half of 1997 forecast growth is still within this range. It is surely fast enough to make a big dent in the capacity gap of "up to 3 per cent" which Alan Budd, the Treasury's principal economic adviser, mentioned to a Commons committee last week.

At this point people often ask whether another quarter-point base rate cut would really make the difference between stable growth and a reappearance of inflation. Of course not. But this very question illustrates one of the snags of the new system of moving interest rates by the small amount of a quarter of a per cent at a time. Admittedly the process is partially depoliticised and it is easier to react more sensitively to economic events. The disadvantage is that, as a result of a series of small moves, a head of steam can build up to drive the economy in the wrong direction without anyone noticing until it is too late.

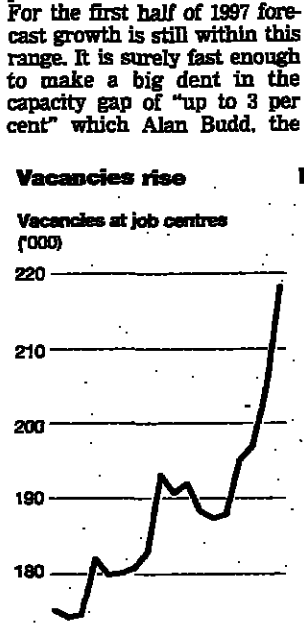
If there is to be a base rate cut after the July 30 meeting between the chancellor and the governor base rates will have fallen by 1¼ points from their 1995 peak. The initial reductions were highly welcome reactions to a slowdown in economic activity which took the Bank of England by surprise. When the last two small reductions were made in February and June, I thought that these might be justified provided the chancellor was prepared to raise interest rates again if the balance of dangers changed.

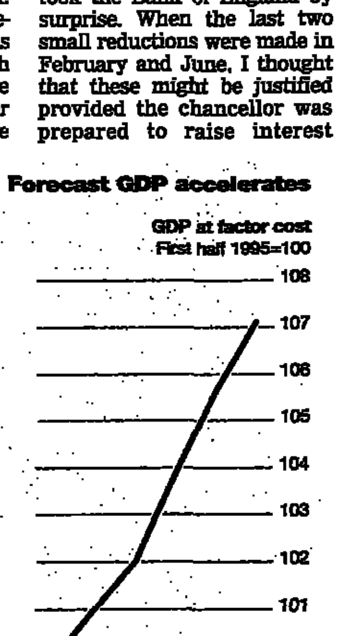
But after each further move, this reassurance becomes less convincing. For no chancellor likes to raise interest rates immediately before an election. Moreover, even if Mr Clarke is prepared to defy the conventional political wisdom, he still has to reckon with the prime minister who is liable to take much more interest in such decisions at a politically sensitive time.

And the lower interest rates go, the further they will have to be raised to reach a sustainable non-inflationary level. If the present underlying rate of inflation is subtracted from base rates, we get a real short-term interest rate of 3 per cent which is not outrageously high by any criteria, nor very different from that of competitor countries.

Taking everything together, the chancellor is probably right to believe that the trend of inflation is still downwards from its present underlying 2.8 per cent rate. The Bank is also right to suggest that policy changes affect inflation with a two-year lag (probably more). The way to take such lags into account is not through the tea leaves of a formal forecast but to look at output as well as prices.

A convenient combined measure of the two is given by nominal gross domestic product which is expected to rise in the present and coming financial years by 5¼-5½ per cent, of which two percentage points is expected to be inflation and 3¼ points real growth. Sometimes this particular measure is misleading, for instance because of tax-induced increases in prices; and much more information would have to be published if there were a serious attempt to guide policy by nominal demand. Fortunately there are few such distortions at present and the nominal GDP projections give a picture of sustainable growth with modest inflation. Why then spoil the outlook with an unnecessary hostage to fortune?





Sources: Government Statistical Series, Treasury Summer Economic Forecast

LETTERS TO THE EDITOR

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Unfair judgment on the US legal system

From Mr Kevin J. Christensen.

Sir, Re the article entitled "US death sentences 'racist'" (July 17), I must take exception to the recent report of the International Commission of Jurists where a handful of foreign jurists suggested, after brief visits to a few US states, that the administration of lawfully-issued death sentences in the US was somehow "arbitrary and racially discriminatory".

I think it is beyond dispute that the US criminal justice system, while not being perfect, affords more protection for individual rights than any other known system of judicial administration. If anything, conviction and subsequent execution for a capital crime in the U.S. is not "arbitrary", but "infrequent", for any person, regardless of the colour of their skin.

While the alleged fact that 44 per cent of the US prison population is black may be an indication of substantial underlying social problems, the further alleged fact that because 40 per cent of the persons executed in the US between 1973 and 1995 were also black and that, therefore, in the US, the administration of the ultimate penalty *must* be arbitrary and racially discriminatory is quite simply a *non sequitur*. The only fact this circumstance may suggest is that 40 per cent of the most violent criminal offenders in the US are, in fact, black.

Whatever the reason for this it is not helpful to suggest a racially motivated basis for the 40 per cent of black criminals who were sentenced to death and eventually executed. While the ICJ may be "respected", it does not appear from this report that they are particularly objective. Moreover, I would suggest this is an extremely complex issue. Given its obvious complexity, I would rather suggest that the deductive approaches evidently employed by the ICJ are not appropriate, or even particularly reasonable, presuppositions.

In any case, if, indeed, the US's administration of the death penalty is "arbitrary and racially discrinatory", as alleged by the ICJ, given the fact that the US, as your article pointed out, "is regarded by many as the world's leading protector of basic individual rights and freedoms", then the rest of the world must be in dire straits indeed. Perhaps the ICJ would care to inspect heaven for alleged human rights abuses. It is rumored that hell may not be entirely politically correct in its administration of ultimate justice either.

Kevin J. Christensen,
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attorneys at law,
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US

BAA burden

From Mr Michael Toms.

Sir, Lex (July 17) argues that the current proposals for regulating BAA's airports are too lax because the Civil Aviation Authority's financial projections take no account of BAA's scope for improving productivity.

Wrong.

Just three examples: the CAA's projections assume that we can increase the number of passengers served by each employee by more than 4 per cent each year; they assume that we can build a fifth terminal at Heathrow at a cost 10 to 15 per cent lower than current projects, and they assume that we can sharply increase commercial revenues to offset loss of duty and tax free sales in the EU in 1999. At the same time they assume that we can spend more than £2bn on capital investment over the next five years, resulting in negative cashflow of £1.2bn. This is why we regard a price formula of RPI-3 as anything but lenient.

Michael Toms,
director corporate strategy,
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A sporting chance for design of euro

From Mr John Edward.

Sir, Joost Smiers has identified a profound problem for the launch of the EU single currency (Europa: "The right values for the Euro", July 12) – the lack of any real debate as to what the design should be. Holding a competition among 30 designers, for a currency to serve 360m Europeans, shows little grasp of what a citizen's Union should be.

In the spirit of Mr Smiers' own suggested design – of seven cardinal values for the seven denominations of banknote – may I add to the debate with my own?

Sport strikes me as one of the few areas of common European consciousness and one certain to get a decent measure of support. For instance, the Olympics, European Cup football, Wimbledon/Roland Garros tennis, the Tour de France, international rugby, golf's Ryder/Walker Cups and Formula I Grand Prix must have enough fans throughout the Union. Choosing sport would also solve the problem of pleasing 15 nations with only seven designs.

Better still, have children compete to draw the designs, as it is they who will be left holding the euros when the present European Monetary Institute is long gone.

If the European Commission can organise job interviews for 55,000 graduates simultaneously throughout the EU, a competition to design the single currency should not prove too problematic.

John Edward,
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Belgium

Huge liability of UK Private Finance Initiative

From Mr A.D. Deacon.

Sir, The capacity of the UK's Private Finance Initiative to generate the huge hidden fiscal liabilities referred to in Martin Wolf's critique ("A clever spending wheeze", July 16) is graphically illustrated in the Highways Agency's current business plan. This shows a 1996-97 provision for design, build, finance, operate (DBFO) road "shadow tolls" of £41m (nearly one-fifth of the agency's £224m current – as opposed to capital – expenditure budget).

On June 10, this figure was confirmed by the roads minister while answering a parliamentary question in which he also stated that the shadow toll bill is expected to more than double (to £97m) in 1997-98, and to triple (to £123m) in 1998-99. Ignoring any additional PFI road projects, or traffic volume-related increases in shadow toll payments, these figures imply a total spending commitment of £3.7bn over the 30-year life of the handful of DBFO contracts in question.

It is for this reason that PFI contracts require greater transparency and closer scrutiny now, rather than waiting for the National Audit Office (or House of Commons Public Accounts Committee) to report their value-for-money checks as advocated by the minister in June.

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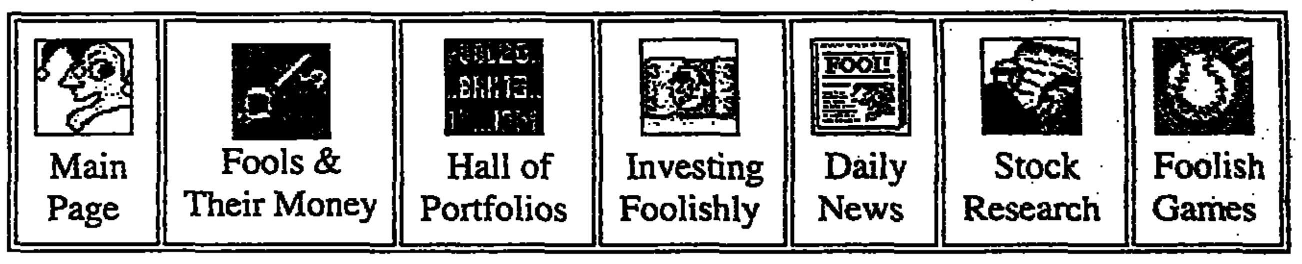

Wise enough to play the Fool

Lisa Bransten on the strengths and weaknesses of America's most popular online investment forum

An investor is chatting to friends in a pub about the prospects for a favourite share when the president of the company wanders over and agrees to answer any questions. Not very likely in the real world, but that is exactly what happened a few weeks ago in cyberspace.

On a Sunday evening at the end of June about a dozen computer users were discussing the soaring shares of Rainforest Café, a fast-growing theme restaurant, in an online "chat room". Mr Martin O'Dowd, the company's president, joined the discussion and he and several other Rainforest executives spent an hour responding to questions.

The chat room was part of The Motley Fool, an investment forum that has become the most popular site of America Online, the fastest-growing online service in the US. It is an example of how brothers Mr Tom Gardner and Mr David Gardner, founders of The Motley Fool, hope to give individual investors access to the sort of information and analysis that was once available only on Wall Street.

Tom and David, aged 28 and 30 respectively, started The Motley Fool as an investment newsletter – "Ye Olde Printed Fool" – in 1993. But after signing up only 38 subscribers, they started posting investment advice on America Online and it was then that the service provider approached them about developing a site.

The site offers nightly analysis of market activity, lessons about investing wisely and daily reports on the Gardners' own portfolio. However, the most popular parts of the service are the electronic bulletin boards and chat rooms where users can post messages about their favourite shares or join others to talk. (The site can also be found on the World Wide Web at *http://fool.web.aol.com* but the web site does not include the bulletin boards and chat rooms.) There is an incentive for the Gardner brothers to keep the site lively: the bulk of their revenue comes from the 60 cents America Online pays them for each hour a user spends on the site.

The organisation's name comes from Touchstone, the brightly clothed, or motley, court jester in Shakespeare's *As You Like It*. His acerbic observations prove far more telling than those of his more serious counterparts at court.

In the world of The Motley Fool, smart investors act "Foolishly" by following advice such as taking a risk on the volatile shares of a fast-growing company and steering clear of safe mutual funds that often charge high fees to investors. The Gardners oppose the Wise, the denizens of Wall Street, whom they see as facing conflicts of interest such as being more focussed on earning commissions through active trading of portfolios than on the best interests of clients.

"People who make their own decisions will often exceed the performance and enjoy more happiness and more security... by doing [their investing] themselves than by giving it over to someone else," says David Gardner.

The brothers liken Fool chat rooms to giant conversations around the company water-cooler that draw information from the 210,000 or so people who visit the site each month. In the real world, says David Gardner, "the water-cooler talk is only on Wall Street where they take advantage of it and then slowly leak [the information] after they already have their holdings."

To prove they practise what they preach, the Gardners invested $50,000 of their own money in equities two years ago, and each night they report on the day's performance of The Motley Fool Portfolio. The holdings, which are now worth nearly $127,392, range from high-flying technology shares to old standards such as General Electric and Chevron.

One of the smaller companies in the portfolio is Iomega, a tiny maker of computer disk drives discovered in Fooldom long before any Wall Street analyst covered the shares. Several Fools became curious about the drives and one sent his parents to have a look at the company's plant in Roy, Utah. The Fool reported back that the car park had been full on a Sunday and on the basis of such observations the Gardner brothers bought Iomega last spring for the Fool portfolio at $2⅓ per share. The price soared to $54 by late May while Fools who had invested in the shares developed a near-religious devotion to the company. They called themselves Iomegans and ridiculed anyone who dared to say anything negative about the shares – even when the price hit 103 times estimated 1996 earnings.

The rise of the Iomega share price helped raise the value of the Fool portfolio – which is about a third in the disk-drive maker – nearly 102 per cent during the first five months of this year. This was much more than the 9 per cent increase in the Standard & Poor's 500 index over the period and the 18 per cent rise in the Nasdaq composite.

But the Gardners' skill in dealing with a bear market is less certain. As the markets have wobbled in the past six weeks, the Fool portfolio has lost almost a third of its value compared with a loss of just 5 per cent on the S&P 500 and 12 per cent on the Nasdaq composite. And for all the money made on Iomega, much has been lost as the shares have fallen to less than $23.

The growth of investment forums with online chat rooms such as Motley Fool has lately raised another concern: that they are open to abuse by a new breed of cyberfraudsters out to manipulate share prices, particularly those of smaller companies such as Iomega. Postings on The Motley Fool and other online investment sites are generally anonymous, so there is no way to know whether or not someone posting negative news is really on to something or hopes to profit from a decline in the share price.

Mr O'Dowd of the Rainforest Café says one of his primary motivations for entering the chat room in June was troublesome hype he had seen posted online, including claims that the shares would soon hit $100.

Regulators have already expressed concerns about the potential for abuse of online investment sites. "It is surprising how investors are seemingly willing to accept completely anonymous information as gospel," says Mr Steven Wallman, a member of the Securities and Exchange Commission, the US financial markets regulator. "I do think it is important that people realise that it is really the equivalent of reading junk mail. It is unlikely that someone would be willing to share with you their most valuable secret."

The watchdog is investigating "more than a few" cases of possible manipulation, he says. He declined to be specific but America Online confirms it has turned over records relating to an investigation of trading in Iomega shares to SEC investigators.

The Gardners believe the interactivity of the medium will help prevent investors from getting burned by fraudsters. "If somebody comes on anonymously and intentionally posts false information... a whole bunch of other people will come in and say, I just read that message and that message is patently untrue," David says.

But they warn investors never to buy anything without conducting their own research. "Admittedly, we do have a get-rich-quick scheme," they say. "It's called homework."

FINANCIAL TIMES

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Monday July 22 1996

The wrong target

What should have been a technical discussion over the design of the future European payments system has degenerated into an unnecessary battle for competitive advantage between the "ins" and the "outs" of monetary union.

Countries which are likely to be among the first to adopt the euro, led by France and Germany, argue that only those who accept the duties of monetary union should win full access to the euro payments system, known as Target, and to the central bank overdraft facilities that go with it.

The probable outsiders, led by the UK, want to treat Target as a utility not just for the euro area, but for the entire European Union. They want access on the same terms as the "ins", without associated inconveniences such as German-style minimum reserves.

Both sides are fighting the wrong battle. If they were clearer about Target's purpose, they might see that it is not Target which will determine whether London or Frankfurt becomes Europe's new financial capital.

Target, the Trans-European Automated Real-time Gross settlement Express Transfer system, is essentially a computer link between national payment systems such as the UK's Chaps.

The link will enable a French bank to transfer euros to a counterpart in Frankfurt as easily as it could to the other side of Paris. If it works properly, it could also reduce the risk that a hiccough in the payments systems might turn into a crisis for the financial system as a whole.

But Target's principal purpose is not to make life easier or safer for commercial banks; it is to provide a mechanism through which the future European central bank can transmit its monetary policy to the money markets, by injecting liquidity into the European banking system or taking it away.

As a tool for monetary policy, it clearly concerns only those countries which adopt the euro. If the UK does not join Emu, then the Bank of England has as little right to create euro liquidity as the Swiss National Bank, which would also like to join Target.

Banks in the "out" countries need to recognise that they have other options for their cross-border payments, including traditional correspondent banking relationships and private sector clearing houses.

"In" banks, on the other hand, should not believe that privileged access to Target will solve their competitive weaknesses.

It is perfectly appropriate for European central banks to create a system under their control for the transmission of monetary policy within the euro zone. It is also appropriate for central banks to encourage the development of sound and efficient payment systems throughout Europe.

But there is no reason why Target must perform both roles.

Brand Olympics

Now that the Atlanta Olympics are at last under way, the focus of interest shifts to the athletes and away from the commercial hoopla that surrounds the games. That is as it should be. But the way in which companies seek to exploit such global events offers some useful lessons.

Modern-day Olympics have become The Gathering of the Brands. Only the very biggest international branded consumer goods companies can afford the millions of dollars needed for effective sponsorship of this sort of event. Televised international sports competitions have created a super-league of top athletes and teams. In the same way, the scale of commitment required by sponsorship underlines the emergence of a super-league of global brands.

Such brands have become the identity badges of the global consumer society. How do you tell when you are in a poor neighbourhood of an otherwise prosperous economy? Because the big global brands are missing: no advertising, no shop hoardings, no franchised fast-food outlets. The absence of the brands is an outward symbol of the economic disenfranchisement of the poor.

That is one reason why some people dislike the role of global brands. Another is the way in which the brands' omnipresent advertising imposes worldwide cultural homogeneity. A third is the barriers to entry brands pose to competitors from outside the charmed circle of multinational companies and G7 economies.

Yet there are some offsetting reasons to welcome the role of the brands. The pursuit of profit ensures that the branded goods companies are essentially inclusive rather than exclusive, perennially seeking to stamp more and more of the world's citizens with the outward signs of affluence.

They do provide a universal lingua franca of commerce. But they cannot extinguish the fierce localism which is the counterpart of globalisation. The Olympics illustrates that particularly strongly. It is a shared global event, but one experienced very differently by audiences in individual countries, where attention is focused on local heroes and favoured sports.

The huge advertising spending that accompanies the games might seem strong evidence of the barriers to entry that branding creates. But companies from Japan and Korea have managed to build global brand recognition rapidly in recent years: barriers to entry are not as formidable as they seem. Perhaps just as telling, advertising and public recognition cannot preserve a brand whose economic rationale has gone: from the Waverly pen to the Studebaker car, the world of marketing is littered with once-powerful brands that now mean nothing. Some of the brands gathered in Atlanta will certainly discover that truth before many more Olympiads have passed.

A Tory chasm

Seen in isolation the impending resignation from the UK government of Mr David Heathcoat-Amory is of little moment. Viewed on a wider canvas it provides another illustration of the deep divisions within the Conservative party over Europe in general and a single currency in particular. The crack opened by sterling's departure from the European exchange rate mechanism on Black Wednesday four years ago has widened into a chasm.

Only a few days ago Mr John Major, the prime minister, was urging his supporters to bury their differences in favour of a sustained onslaught on Labour during the remaining months before the general election. Ministers had met with some success in exploiting the tension within Mr Tony Blair's shadow cabinet over public sector strikes. But Tory MPs have now turned their attention again to internal squabbling.

A competent but uninspiring minister with a middle-ranking post at the Treasury, Mr Heathcoat-Amory had little prospect of further advancement. His post can be readily filled in the ministerial reshuffle which Mr Major had anyway planned for this week.

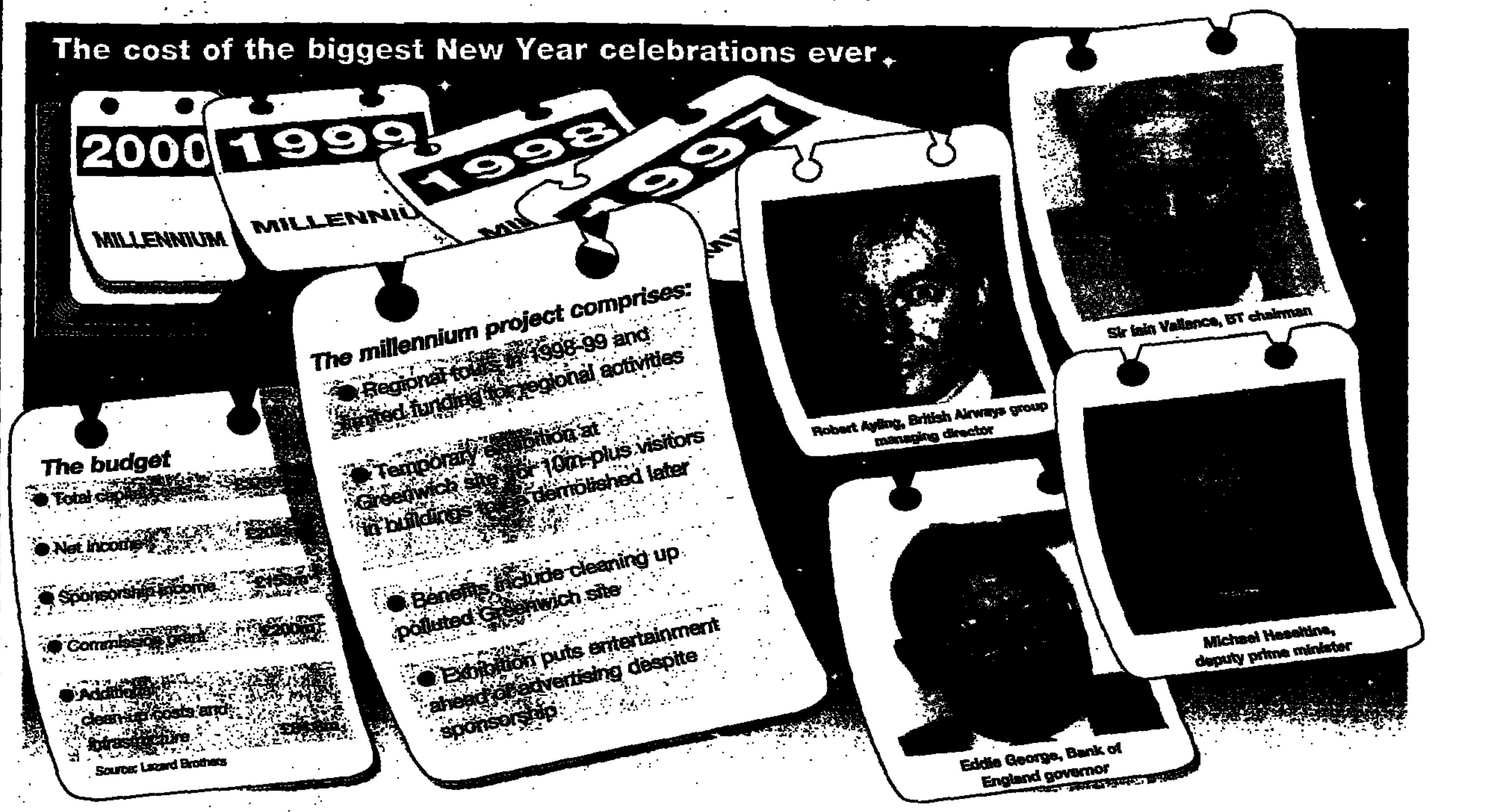
By choosing, however, to cite opposition to economic and monetary union as the reason for his resignation, Mr Heathcoat-Amory has given succour to those who want the government to rule out sterling's participation for the lifetime of the next parliament.

He will join two groups within the Conservative party fighting the same cause. The most strident of these Eurosceptics see a single currency as the first step to a United States of Europe. They would refuse to join in any and all circumstances. The second believes that since a Conservative government is unlikely to include the UK in the first wave of Emu, Mr Major should make an electoral virtue of that reality by saying so in advance of the election.

Lined up against these factions, however, are the most senior ministers in the government. Mr Michael Heseltine, the deputy prime minister, and Mr Kenneth Clarke, the chancellor, are determined to retain an each-way option. If Mr Major were to bow to the Eurosceptics he would invite a perhaps fatal split in the cabinet.

More importantly, the prime minister must have regard to the national interest. Here the evidence is unequivocal. In or out, a single currency will have significant effects on the UK economy and on the financial services industry. Closing off options now would simply encourage other governments to design a system which operated against British interests. The debate over a future European payments system, described above, is just one important discussion from which Britain would be excluded.

Mr Major cannot escape the Eurosceptics, but he will not unite his party by giving ground to them. Ruling out participation in Emu would be a mistake for the Conservative party and seriously damaging for the country.



Unwilling guests at the party

Leading UK companies have come under intense pressure from the government to back the Millennium Exhibition, says **Robert Peston**

Mr Michael Heseltine wants to hold the biggest party ever in the UK to celebrate the dawn of the new millennium – and he wants business to help pay the bill.

The deputy prime minister is urging big companies to add £150m to £200m of money from the National Lottery to fund a year-long exhibition in London's Greenwich which he promises will be "the greatest single event ever staged in this country".

Today he will stand before the cameras on Greenwich's windswept wasteland and proclaim that planning for the Millennium Exhibition is forging ahead. But he is still far short of raising the sponsorship needed – and his tactics for attracting corporate sponsors have become one of the talking points in the board rooms of the UK's biggest companies.

"I would not say he used blackmail, unless you mean moral blackmail," says the chairman of a multinational company. "Certainly he did not give us much of an opportunity to say no."

The deputy prime minister regards such concerns as typical of British defeatism. But even the choice of Greenwich for the site of the exhibition has been controversial. A national contest was staged, which was supposed to evaluate the contenders on accessibility and value for money. Although there were originally 61 applications, by the start of the year it it had become a two-horse race between Greenwich and Birmingham's National Exhibition Centre.

The main attraction of the London venue lay in its position on the Greenwich meridian. The organisers had also offered a potentially attractive design idea based on the concept of time to exploit this.

But Greenwich had significant drawbacks. The land proposed for the exhibition is owned by British Gas and heavily polluted by many years of the production of town gas. The site is poorly served for access, with no roads or rail links – although an underground railway link from central London is scheduled to be completed before 2000.

The Birmingham NEC, jointly owned by the city council and the Chamber of Commerce, had much of the infrastructure and long experience of big exhibitions. "We had clear virgin land, good transport links, plenty of expertise and the best design team," says Mrs Theresa Stewart, leader of the council.

However, the cards were always stacked in Greenwich's favour, partly because it formed a part of the East London corridor, a development plan for the former docklands promoted by Mr Heseltine. Ministers were also aware that with no citywide authority, London had lost out in previous bids for big events such as the Olympic games.

As a minister closely involved in the project admits: "I suppose in retrospect it would have been better to say right from the start that Greenwich was the preferred place, rather than going though that charade."

On February 28, Mrs Virginia Bottomley, the National Heritage secretary – like Mr Heseltine a member of the Millennium Commission – announced that the exhibition would be in Greenwich.

Mrs Bottomley also announced two significant appointments. The deputy prime minister had been asked to "convene a ministerial group that will have the task of overseeing the government's role... in this event."

And Sir Peter Levene – the prime minister's adviser on government efficiency – was invited to "provide advice" on "whether a sound and commercially viable proposal is deliverable".

Sir Peter has told friends he was appalled by the financial mess he found. After almost a year to prepare its bid, Greenwich had only a fledgling design idea, with no detailed financial plans.

The difficulties were summarised in a report for the Millennium Commission by Lazards, the merchant bank, in June. "It became clear in late April," the report says, "that the full exhibition... would not justify any commercial investment by the private sector and would leave a funding gap of £400m."

Mr Heseltine scaled down the budget by substituting a year-long exhibition and temporary buildings instead of a more expensive permanent monument. And he and Sir Peter set to work wooing the private sector for sponsorship.

They wanted companies in different sectors – banking, aviation, telecommunications – to club together to finance the 12 exhibition pavilions. Each pavilion would cost around £40m, with companies contributing £12m and the balance largely from the lottery.

However, it was a condition of sponsorship that the pavilions could not be used for advertising. Although each pavilion would have a theme that related to the sponsor's industry, their prime purpose was entertainment. Companies were therefore not being asked to invest because of any direct commercial benefit they might receive – as Mr Heseltine has admitted.

So far only three companies are prepared to commit themselves publicly to substantial, quantified donations: British Airways, British Gas and British Telecommunications. Other companies less keen on investing have noted they are all in heavily regulated industries.

"The more dependent a company is on the government, the more likely it is to cough up in the end," says the chairman of one of the UK's biggest financial businesses.

British Gas and British Airways also have strong commercial interests in the project succeeding. British Gas will find it much easier to sell the Greenwich site after the exhibition is dismantled in 2001, since the contaminated land will have been cleaned up. And British Airways will benefit if the exhibition is a success in drawing visitors from overseas to London.

Even so, what they have promised so far is trivial in the context of the overall costs. Although British Telecom will give "between £12m and £20m", it wants the lion's share of this to go to a regional touring event before 2000, for fear of being cast as a London-biased company.

British Airways is committed to giving just £6m, although Mr Robert Ayling, chief executive, has agreed to chair the company which will organise and operate the exhibition.

British Gas has promised to give the £15m estimated cost of cleaning up the pollution on the site – and is still negotiating on how much it might contribute to providing infrastructure.

Other sponsors more or less committed are British Petroleum, the BAA, British Aerospace, Marks and Spencer and the Corporation of London, the City's local authority. In the words of Sir Peter Levene: "Things are moving in the right direction."

However, there have been allegations that even this small group of sponsors has been signed up only after – in the words of one banker – "arm-twisting" by Sir Peter and Mr Heseltine.

One leading industrialist deliberately avoided coming to a meeting of businessmen convened by Mr Heseltine in the Cabinet Office on June 5. "If I had gone I would have had that great hairy thing bearing down on me and my pocket would have been picked," he says.

At that meeting, Mr Heseltine asked those present for "an act of faith" and slapped down any criticism of the project. "When someone dared to ask who would underwrite risk of cost over-runs, he was brusquely slapped down by Hezza," says one executive who was there. "Hezza said only that the private sector would not be asked for more money and that other details were not our business."

Some companies have decided to resist the deputy prime minister's pressure. Most notable are the banks and big building societies. In mid-June and early July, their chairmen discussed their approach in two meetings at the Bank of England chaired by Mr Eddie George, the governor.

One of those nervous about not contributing was chairman of a building society which needs Bank approval to convert into a public company. "Our impression was that Eddie was on Hezza's side," says a senior banker. "Frankly I felt very uncomfortable about upsetting our lead regulator."

The Bank denies it took sides and believes the governor's role has been misinterpreted. In the end the banks decided there was safety in numbers and refused to finance their own pavilion – although the four big English banks and Abbey National will probably put money into a special City of London pavilion organised by the Corporation.

Such is the force of Mr Heseltine's lobbying that few business executives doubt he will get the money. "The exhibition will happen," says an influential businessman.

But he and others say there will be a price for the UK. "It will consume almost our entire budget for arts and community projects for the next few years," says the chairman of the multinational company. "The pot of money for this sort of thing is finite."

OBSERVER

Not the Olympics

■ If the wall-to-wall coverage of the Olympics leaves you cold, diversions are emerging – at least, if you are in the derivatives business. An international quiz, dispatched round the world by fax and Internet, has popped up to tax the wits of derivatives boffins.

First Risk Olympics, as the game calls itself, consists of seven multiple-choice questions. Each has a chatty title, such as "does it matter?", "the humble cash flow" or "exposed to what?". And the competition organisers, Sydney-based Risk Technology, say "all questions can be answered intuitively, you don't need to be a rocket scientist to win."

There's intuition and there's intuition of course. To those in the trade, the puzzles will no doubt be as irresistible as the quick crossword [illegible] of the evening papers [illegible] may feel they have stumbled into the wrong exam room [illegible] asked when "A corporate enters into a long term [illegible] to hedge a contingent [illegible] the present value of the profit or loss on the hedge will depend on:

And [illegible]. The promoter [illegible] no responsibility [illegible] and career [illegible] winners may [illegible] and loss of [illegible] that abstainers may suffer". No prizes, either, beyond the Internet publication of your name (a mixed blessing). And you have to send off $15 to get the correct answers and explanations. Sounds like the promoters know a thing about low risk, high return ventures.

CSFB calling

■ CS First Boston has plugged one of the more troubling gaps in its corporate finance armoury in London by filling one of the hottest seats of the moment, head of media and telecoms. It has gone shopping at Lehman Brothers, one of those institutions still struggling to achieve critical mass in the bulge bracket stakes, and pinched David Wheeler, the impressively titled co-head of global media and telecom group and co-head of European industry coverage group.

Wheeler, a 48-year-old American, has not been unduly peripatetic, having restricted his ports of call to J.P. Morgan (until 1981) and Lehman during his 20-year sojourn in investment banking. He has been in the media and telecom sector since 1989.

In a sense, Wheeler, who comes in at managing director level, replaces Heino Teschmacher who left for UBS a couple of months ago. Teschmacher, however, had been very much the generalist corporate financier, expert at deal execution, and with only a minor involvement on the telecoms side, and none in the media business. Wheeler, by contrast, is the specialist business getter – currently much frendier.

So has Wheeler picked up one of those increasingly common guaranteed bonuses? His new boss Stephen Hester says sniffily that "most of the really good bankers are not in the [guaranteed bonus] business" because if they have a proper career ahead of them, two or three years' guarantee is "neither here nor there".

Up in the air

■ The world is so used to seeing investment bankers being lured away by a rival that it was hardly a surprise when ING Barings sued Deutsche Morgan Grenfell for poaching its key staff. Such developments are less common in other industries, which is why eyebrows have been raised in Jakarta at the loss of several senior pilots from Garuda, the national airline, to Korean Airlines.

Soepandi, Garuda's chief executive, says it is not exactly an exodus. Only eight pilots out of a total of 679 have actually resigned and they will not start with Korean Airlines till next year. But with nearly three quarters of Garuda's pilots having completed their 10 years of compulsory service after training, it's not surprising that some are tempted by the prospect of sharply higher earnings.

According to some media reports Korean has been offering them $10,000 a month, which is over three times what Garuda has been paying – and rather more than the average earned by British Airways' frustrated pilots at London's Gatwick Airport.

Birthing pangs

■ Poles have been hearing a lot lately from Grzegorz Kolodko, their voluble deputy premier and economic supremo, about the importance of their country's imminent membership of the OECD. Such trumpeting leaves some visitors cold. A group of bankers from Texas came to Warsaw recently to be told the wonderful news. Smiles all round until one Texan drawled: "Just exactly what is this here OEDC?".

That said, joining the OECD has forced Poland to rummage through its legal codes and promise to excise anything which discriminates against foreign investors. One thing Warsaw came up with was a list of professions reserved for Polish citizens. Those thinking of becoming expats in Poland might care to note that among the people thus protected under Polish law are lawyers, maritime pilots, dentists, newspaper editors, museum guides, and train dispatchers, official translators, patent agents, construction experts and midwives – though not, for some reason, gynaecologists.

The Financial Times

100 years ago

The Rhodesia Rising

The Acting High Comissioner at the Cape forwarded to the Colonial Office yesterday afternoon the following telegram: -Attacked Babyan's stronghold in Matoppo Hills at dawn this morning, having started last night at 10.30 from Usher's camp on Umgingwane. Shelled enemy out of Scherms, and followed him to stronghold in a mass of kopjes and caves at source of Tall River. Fighting continued up to 2 o'clock. Carried position and burnt the kraals. Enemy stuck tenaciously to his caves. Enemy's loss estimated at 60; our loss three killed and eleven wounded.

50 years ago

Iranian Oil

That the labour troubles on the properties of the Anglo-Iranian Oil Company had been politically inspired was fairly obvious. A reading of the chairman's statement on the company's 1945 report leaves no shadow of doubt that this was the case. In fact, the company's own policy towards its workers has been progressive. These facts are known throughout Persia. Only wilful misstatement or deliberate incitement for political purposes can have been responsible for recent unrest in the company's fields.

FINANCIAL TIMES
Monday July 22 1996

Muscovites see personal touch in emerging flow of junk mail

Western advertising skills are making their mark in Russia, explains **Chrystia Freeland**

When millions of Muscovites received letters from their mayor last month urging them to vote for President Boris Yeltsin, many thought each missive had been personally signed and addressed.

Their innocence in the face of a direct mail campaign is seen as a reason why Mr Yeltsin secured his remarkable election victory. It is also an example of how sophisticated western advertising techniques are transforming the tastes of a nation which, for more than 70 years, was under the sway of bombastic communist propaganda.

Russia remains a country where telephone books can only be acquired on the black market and where thousands of factories continue to churn out goods they cannot sell just as they did in the days of central planning. But, increasingly, this Soviet complacency is being shaken up by companies which are learning to appeal directly to Russia's deprived consumers.

One of their newest weapons in this campaign is direct mail advertising, an approach which is particularly effective in a country so sheltered from advertisers' wiles that it has not yet invented a phrase for "junk mail".

As Ms Tatiana Bakalets, marketing director of Poster Publicity, the company which produced the personalised "vote Yeltsin" letters, explains: "A big plus for us is that in Russia people are so unaccustomed to this that when you get a letter addressed to you by your name and patronymic you think it's written directly to you. The pensioners, in particular, thought that Luzhkov (the mayor of Moscow) had written each letter himself."

But Ms Bakalets also concedes that the fearful heritage of the communist past, together with the new suspicions bred by the sometimes savage capitalist present, can make advertising in Russia difficult.

"Just think of it – in a city as big as Moscow there is no telephone book, so we must create a database ourselves," she says. "But we have such a criminalised situation today that people are very, very unwilling to give out their home telephone numbers. And those people who have a lot of money, earned not necessarily honestly, are very unwilling to give out their addresses."

Work on this year's election campaign for Mr Yuri Luzhkov, the mayor of Moscow, helped to fill that gap by giving Poster Publicity access to the city's own extensive databases.

Thanks to that inside information, the firm now has the addresses of 7.2m adult Muscovites, and can divide them into sub-groups such as single mothers, pensioners or even the residents of "Khrushchevky", the dilapidated five-storey apartment blocks built by Nikita Khrushchev in the 1960s to solve the national housing crisis.

Like most Russians involved in the financial side of the recent election campaign, Ms Bakalets is reluctant to give details about the pro-Yeltsin letters her firm sent out under Mr Luzhkov's signature. Just 100,000 were dispatched as part of the official campaign, but she says that in reality millions of the letters hit Muscovite mailboxes.

"It is all very complicated in Russia," Ms Bakalets explains in some distress. "Luzhkov only paid for a small portion himself, the rest was paid for by outside supporters. It is to do with the finance limits in our election law."

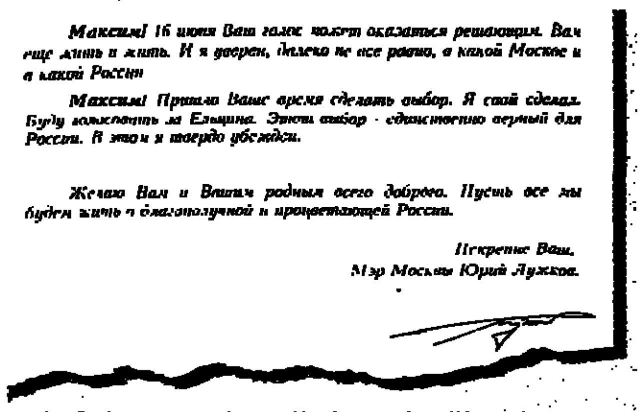
One of the most ambitious projects Ms Bakalets is planning for later in the year is a bold drive to alter the often neglectful habits of Russian husbands.

Thousands of Moscow's richest men will receive letters reminding them that "your beloved wife's birthday is in just two weeks. As a sign of your devotion, why not buy her one of these gifts..."

The suggested purchases will range from a day at a Moscow beauty spa, to jewellery and household appliances. But Muscovite husbands should beware: as Ms Bakalets sweetly explains, "we have a database which can select rich people, so what we suggest will be very expensive."

Ms Bakalets speaks enviously of western advertising firms which can get access to specialised mailing lists at the press of a computer button. But she is hopeful that the 39 companies which do direct mail advertising in Moscow will soon catch up with their western counterparts.

And after all, Russia's fledgling advertisers are confident that if they can sell Yeltsin, they can sell anything.



Maksim! On June 16 your voice could be decisive. You still have a long, long life ahead of you. And I am certain that it is not all the same to you in what sort of Moscow and what sort of Russia you live that life.

Maksim! The time has come for you to make your choice. I have made mine. I will vote for Yeltsin. That choice is the only right choice for Russia. I am deeply convinced of this.

I wish you and your family all the best. Let us all live in a prosperous and flourishing Russia.

Sincerely Yours,
Mayor of Moscow Yuri Luzhkov

Brussels faces pressure to clarify future of Ecu bonds

By Gillian Tett and Samer Iskandar in London

Investors are pressing the European Commission to clarify the legal status of financial products denominated in Ecus, which have been hit by a loss of confidence ahead of the introduction of a single currency.

Financial institutions fear that the status of some Ecu bonds issued before 1992 is unclear due to changes to the basket of currencies on which the Ecu was based. They are worried about doubts over whether all products would be converted at the official rate of one Ecu to one Euro, the new European currency.

The Commission plans to meet banks and other financial institutions on Thursday to discuss a clear wording to restore confidence in the Ecu market, which has recently been unsettled.

Several multinational companies, private financial institutions and at least one government-backed institution have scaled down their activities in Ecu because of the uncertainty.

Mr Mark Fox, chief European strategist at the US investment bank Lehman Brothers, said the "vast majority of professional associations are pushing for legislation" and warned of the "threat of a tide of litigation after 1999", when the single currency is due to be introduced.

However Mr Steven Major, an Ecu bond specialist at Crédit Lyonnais in Paris, argues that the problem only affects 10 per cent of the Ecu55bn ($68.2bn) bond market.

Draft proposals presented to banks by the Commission last week were considered inadequate by some lawyers in London and Paris.

The problem centres on how the Ecu and its related bonds and other instruments will be treated when Emu starts in 1999. Last year, European heads of government announced that all products denominated in Ecu would be converted into Euros at a rate of one to one.

But although this wording covers most recent Ecu deals, lawyers question whether it covers some contracts before 1992. Older contracts had slightly different definitions of an Ecu.

The Commission plans to produce a final legal framework by early September, and hopes to submit the proposals to a meeting of the economics and finance ministers of all 15 EU member states in Dublin in September.

Single currency timeframe criticised, Page 8
Editorial Comment, Page 17

Israel and Hizbollah to swap bodies

Continued from Page 1

the past two years there has been repeated speculation about a possible deal brokered by Germany, including the return of Mr Ron Arad, the only missing Israeli serviceman thought to be still alive.

Mr Schmidbauer, the 57-year old minister of state in the German chancellor's office, who arranged the deal after talks with Hizbollah leaders in Damascus and Beirut, has extensive contacts in the Middle East and secured the backing of Syrian president Hafez al-Assad for the exchange.

He was first asked by the Israeli government in May to try and broker an exchange. In spite of repeated shuttling between Tehran, Jerusalem, Damascus and Beirut, his efforts then were not successful.

THE LEX COLUMN

GEC's Gallic games

How much does Britain's General Electric Company (GEC) stand to gain from the upcoming privatisation of Thomson, the French electronics group? That rather depends on which of the two French groups in the frame, Alcatel Alsthom or Lagardère, ends up buying it. Although GEC could probably forge a relationship with either, the prospects of clinching an attractive deal with Alcatel look better.

The best outcome would be a merger between Marconi, GEC's defence electronics group, and Thomson-CSF, the French group's defence arm. Given the large overlap between the two, such a combination would lead to big savings in research and development and marketing; manufacturing costs would also fall as a result of longer production runs. A merged Marconi/Thomson-CSF would be well-placed to compete with US defence giants such as Lockheed Martin. Alcatel, which has few defence interests of its own, would probably negotiate such a merger if it won Thomson. Indeed, doing so might be its main purpose in buying Thomson. If it could acquire the company at a price that reflected its prospects as a stand-alone entity but then plug it into a joint venture with greater opportunities, Alcatel would create value for its shareholders.

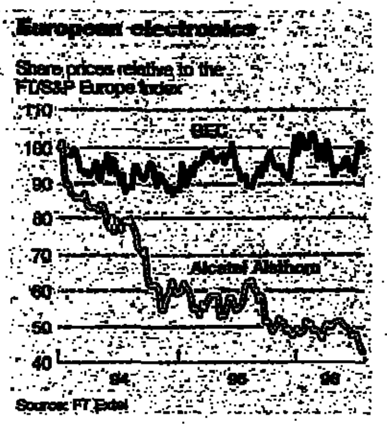
Lagardère's thinking, though, is rather different. Not only does it already have an extensive defence business, it is not big enough to buy Thomson on its own. Its plan seems to be to raise cash by selling minority stakes in Thomson-CSF to the likes of GEC, Daimler-Benz and British Aerospace. The idea would then be to form a series of joint ventures, covering specific products like missiles and communications.

From Lagardère's perspective, such a "cascade" shareholding structure would have the advantage of giving it considerable control from a small equity base. But, for GEC's shareholders, the benefits would not be as great. A series of mini joint ventures would not offer the same scope to rationalise R&D and marketing as a big merger. Nor would there be much appeal in handing over large dollops of cash to become a sleeping partner in Thomson-CSF.

Loosely linked to Thomson's future is that of Framatome, the French state-controlled nuclear equipment group. Alcatel, which owns 44 per cent of Framatome, would like to bring it within GEC-Alsthom, its power generation joint venture with GEC. There may be some industrial logic to the idea of bringing conventional and nuclear power generation under the same roof. But the suspicion is that Alcatel is also keen to use Framatome to raise cash to absorb Thomson's massive debts. Exactly how this would work is a mystery. But one possibility is that the French state would swap its Framatome stake for shares in a combined Framatome/GEC-Alsthom. Alcatel might simultaneously sell some of its shares.

Such a manoeuvre could, in turn, be a precursor to a full demerger of GEC-Alsthom – something GEC has long wanted. Alcatel could use the cash from selling its stake to shore up a balance sheet already weakened by provisions for restructuring its telecoms business. The appeal of doing so would be even greater if it assumed Thomson's debts. Cash-rich GEC, by contrast, could give its GEC-Alsthom shares to investors as it would have no need to sell them. At present, none of this is decided. The ball remains in the French government's court. But if attractive Thomson and Framatome deals can be cut, GEC shareholders will have good cause to celebrate.

European electronics
Share prices relative to the FT/S&P Europe index



Source: FT Extel

Burma

Is it wise for a company like Total to invest in a country like Burma? One of its shareholders, a leading Danish pension fund which last week sold its stake, thinks not. And several other companies, including Heineken and Carlsberg, have already pulled out.

The moral arguments for leaving are not clear-cut. True, multinationals cannot altogether ignore the calls of the country's elected but powerless leader, Ms Aung San Suu Kyi, to stay away. Nonetheless, it is unclear what this would achieve. Heineken's half-completed project was sold to a Singaporean company, and the investment will still go ahead. The same would almost certainly be true if Total pulled out. The commercial case for leaving may seem more persuasive. Analysts think Total has so far invested less than $80m in Burma and, even when its planned gas project comes on stream, it is only likely to account for about 2 per cent of the company's reserves. While the outcry against the Burmese regime is strongest in Denmark – whose honorary consul died in jail after being arrested for possessing an illegal fax machine – it has spread to the US. A consumer boycott would not have to make much of a dent in Total's $27bn sales to wipe out all the gains from the gas project.

Total, though, and other companies like it, will probably not view Burma in isolation. Though the Burmese regime is gruesome, it is not the only dodgy country in which it operates. Total will be reluctant to set a precedent that makes itself vulnerable to pressure to pull out of other similarly undemocratic countries.

Pharmacia & Upjohn

Pharmacia & Upjohn's market capitalisation has soared by 60 per cent since its formation last August. Now that Volvo, the pharmaceutical group's main shareholder, is unloading a $2bn stake, other investors could be forgiven for asking whether the shares are still worth buying.

The market's enthusiasm so far has reflected the elegant merger structure, which avoided a huge goodwill write-off, and the promised cost savings of $500m, that should boost earnings before integration charges by around 50 per cent this year and 25 per cent in 1997. Progress thereafter will depend on a flurry of new product launches – including Xalatan for glaucoma, a new incontinence treatment and drugs against cancer and Aids. None are obvious blockbusters but the merger has given P&U the global infrastructure to squeeze value out of even modest products. That should help to improve the current pedestrian sales growth of 3-5 per cent.

The group's weakness lies in its fragmented portfolio. P&U is stretched across eight therapeutic categories with its top 10 drugs contributing just 33 per cent of sales against an average of 70 per cent for its top rivals. The obvious solution is to focus. To preserve the merger's tax advantages, significant disposals are not on the cards for two years. Thereafter, some rationalisation would be possible. P&U has not yet transformed itself into a high-growth company. But, over the medium term, it has the potential to do so. Moreover, given that the shares are trading at only 15 times 1997 earnings – roughly a 15 per cent discount to the US pharmaceuticals sector – there is still some upside potential.

FT WEATHER GUIDE

Europe today

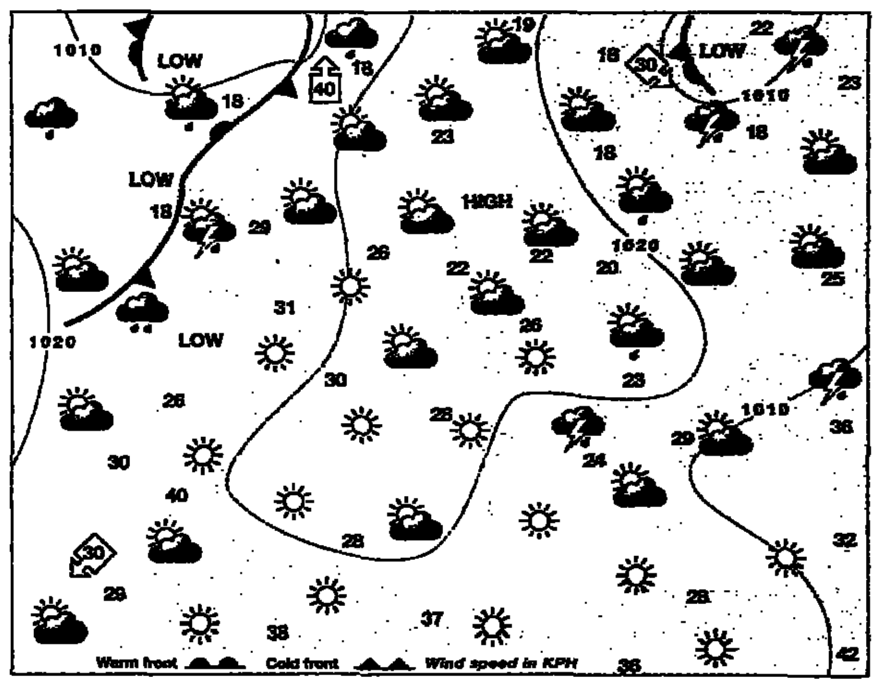
A large part of the continent will have sunny and warm conditions. The Benelux, Germany and northern France will have temperatures around 26C, but southern France, Italy and Portugal will be hotter. Spain will have temperatures rising to 40C.

England will be rather sunny and warm but Ireland and Scotland will be overcast with some rain. During the late afternoon, thunderstorms will develop over Wales as well as northern and western England.

There will be more thunder in Greece and the southern Balkans. The Alps will have isolated showers. Russia will have cool and unsettled conditions with widespread showers while Poland and the northern Balkans will stay dry with a mixture of cloud and sunshine.

Five-day forecast

Cool Atlantic air will move further eastwards, triggering showers and thunderstorms on the continent on Tuesday and Wednesday. Conditions will improve in Ireland and Scotland where there will be a mixture of cloud and sunshine. On Thursday, Portugal and north-western Spain will have thunderstorms but more pleasant temperatures will follow. Eastern Europe will remain unsettled and rather cool.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	41
Accra	thund	28
Algiers	fair	33
Amsterdam	sun	26
Athens	fair	30
Atlanta	cloudy	34
B. Aires	sun	12
B.ham	fair	25
Bangkok	cloudy	35
Barcelona	sun	27
Beijing	fair	34
Belfast	rain	18
Belgrade	fair	23
Berlin	sun	23
Bermuda	fair	28
Bogota	cloudy	18
Bombay	rain	30
Brussels	sun	27
Budapest	fair	22
C.hagen	fair	22
Cairo	sun	34
Cape Town	windy	18
Caracas	fair	32
Cardiff	thund	24
Casablanca	sun	28
Chicago	fair	27
Cologne	sun	27
Dakar	fair	30
Dallas	sun	38
Delhi	thund	35
Dubai	sun	42
Dublin	rain	19
Dubrovnik	sun	25
Edinburgh	rain	19
Faro	sun	29
Frankfurt	sun	27
Geneva	fair	29
Gibraltar	fair	27
Glasgow	rain	18
Hamburg	sun	24
Helsinki	fair	19
Hong Kong	rain	31
Honolulu	sun	31
Istanbul	fair	27
Jakarta	fair	32
Jersey	fair	27
Karachi	fair	35
Kuwait	sun	46
L. Angeles	sun	27
Las Palmas	sun	27
Lima	cloudy	18
Lisbon	fair	30
London	fair	29
Lux.bourg	sun	26
Lyon	sun	30
Madeira	sun	25
Madrid	sun	39
Majorca	sun	30
Malta	sun	29
Manchester	thund	23
Manila	rain	30
Melbourne	shower	14
Mexico City	fair	21
Miami	sun	33
Milan	fair	26
Montreal	fair	24
Moscow	shower	17
Munich	fair	25
Nairobi	cloudy	21
Naples	sun	28
Nassau	fair	32
New York	fair	28
Nice	sun	29
Nicosia	sun	35
Oslo	fair	23
Paris	sun	31
Perth	shower	16
Prague	fair	23
Rangoon	rain	30
Reykjavik	fair	14
Rio	fair	22
Rome	sun	28
S. Frsco	sun	25
Seoul	cloudy	30
Singapore	cloudy	32
Stockholm	fair	22
Strasbourg	sun	28
Sydney	sun	17
Tangier	sun	33
Tel Aviv	sun	33
Tokyo	fair	28
Toronto	fair	25
Vancouver	fair	28
Venice	fair	25
Vienna	fair	22
Warsaw	fair	20
Washington	fair	30
Wellington	cloudy	12
Winnipeg	cloudy	24
Zurich	fair	25